

ALUMINUM ENGINE BLOCK CASTING

INVESTMENT OPPORTUNITY SCORECARD

MINING & METALS

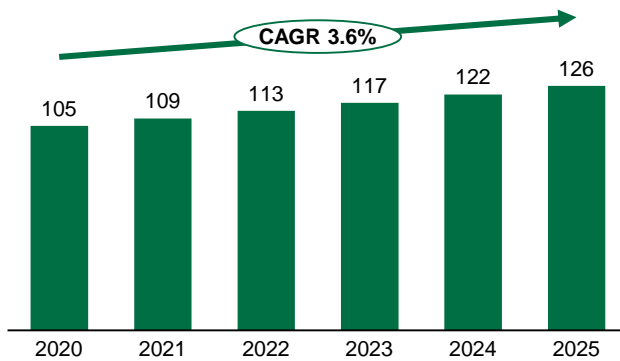


ALUMINUM ENGINE BLOCK CASTING

OPPORTUNITY'S DESCRIPTION: Opportunity to develop a 50 ktpa of Aluminum engine block caster to supply local and global market

DEMAND

GLOBAL MARKET SIZE, MN UNITS



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 492 Mn
- Plant capacity: 50 ktpa
- Expected IRR: 14%
- Payback period: 7 years

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Mining Industry set to become the “third pillar” of the Saudi industrial base due to KSA’s rich deposits of minerals
- KSA’s geographical advantage and trade agreements with neighboring countries make exporting favorable
- KSA is working to develop sustainable and globally competitive value added semi-finished and finished metal industries (downstream) that support the Kingdom’s goal of diversification
- In line with Saudi Vision 2030, KSA aims to maximize local production of aluminum and supply primary raw material to the local aluminum-based industries

KEY DEMAND DRIVERS

- The upcoming automobile manufacturing cluster in KSA is expected to expand automotive manufacturing which will increase domestic demand for aluminum engine block casters
- There are plans to establish an auto industry in KSA with a target of manufacturing 300k passenger vehicles in the next 10 years
- The development of an auto part manufacturing cluster in Saudi Arabia would create 17 kt demand for engine blocks by 2030
- The GCC’s automotive industry is expected to continue to grow over the next few years which will be a key driver for the aluminum engine block casters

MARKET OVERVIEW

GLOBAL TRENDS

- The global market size for engine blocks is expected to reach USD 68.04 Bn by 2025 at a CAGR of 1.91%
- Global vehicle production is expected to increase at a CAGR of 2.2% between 2021 and 2030, which will lead in increasing the demand for engine blocks
- The rising demand for aluminum cast products in the transportation sector is attributed to the growing popularity of lightweight vehicles with better fuel efficiency
- The global trade of internal combustion engine parts, including engine blocks totaled 2.3 Mt in 2019
- The growing need to make automotive engines more efficient and powerful is leading automotive OEMs to adopt engine downsizing techniques and manufacture lighter blocks to remain competitive.



ALUMINUM ENGINE BLOCK CASTING

SUPPLY

SCALABILITY AND LOCALIZATION

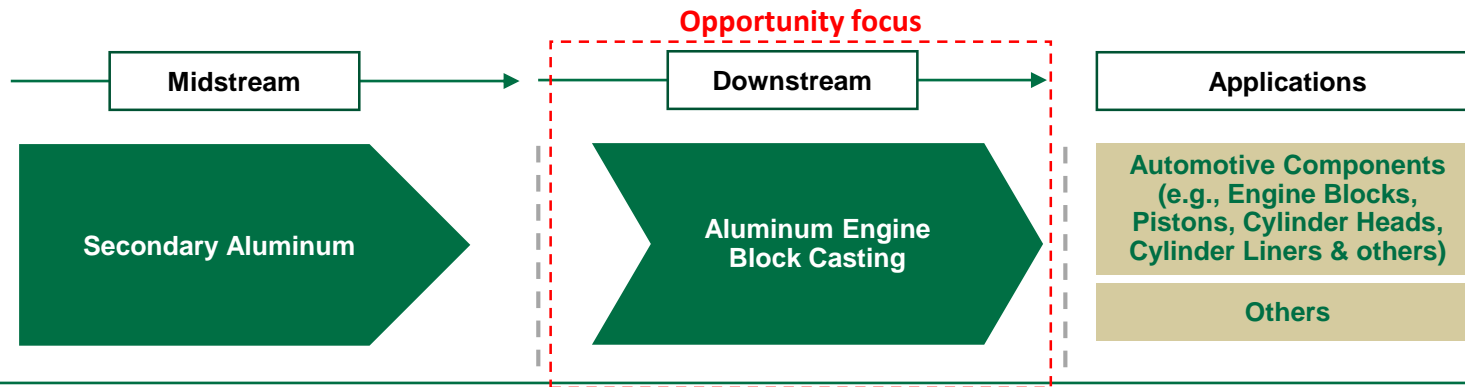
Grade: Low Medium High

- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint
- Availability and easy access of key raw material secondary aluminum alloy in KSA, to support cost effective local manufacturing
- End-to-end logistics connectivity exists in KSA to support investment development
- Local content policies to favor Saudi based manufacturers

IMPORT DEPENDENCY

- Currently 100% of the local demand for aluminium engine block casting products in KSA is met by imports

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF)
- HRDF covers monthly salaries for 30-50% of Saudi employees (extra 10% for females) for 2 years, provided 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

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	Demand 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	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	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
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Manpower Expenses include \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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