

MAGNESIUM DIE CASTING

INVESTMENT OPPORTUNITY SCORECARD

MINING & METALS

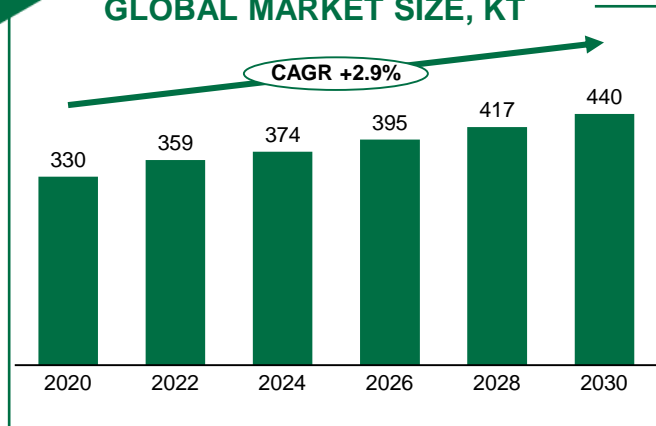


Magnesium Die Casting

OPPORTUNITY'S DESCRIPTION: Develop a 10 ktpa magnesium die casting plant to cater the domestic and regional demand

DEMAND

GLOBAL MARKET SIZE, KT



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 31 Mn
- Plant capacity: 10 ktpa
- Expected IRR: 10.6%
- Payback Period: 10+ years

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Mining and Metals 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 goals of diversification
- In line with Saudi Vision 2030, KSA aims to maximize local production of magnesium and supply primary raw material to the local industries
- KSA has 10 Special Economic Zones (SEZ) and is planning to launch more, in line with the economic transformation agenda as a part of Vision 2030 program

KEY DEMAND DRIVERS

- Demand for magnesium die casting is fueled by increasing trend of automobile manufacturers to use lightweight magnesium and magnesium alloys to reduce the overall vehicle weight and improve the fuel economy
- Automotive has been identified as one of the core sectors to support the Vision 2030 initiative of development of a sustainable manufacturing-based economy, for diversifying away from the oil sector
- Market for new passenger and commercial vehicles in KSA is expected to grow at a CAGR of 2.9% and 4.6% respectively from 2020 - 2024 owing to pent up demand

MARKET OVERVIEW

GLOBAL TRENDS

- Growing automobile industry, stabilizing industrial sector, consumer popularity for fuel-efficient vehicles, and latest advancements in die casting techniques are expected to drive the growth magnesium die casting market
- The implementation of stringent emission norms by several countries and regions is propelling the market growth of magnesium die casting. Reducing the vehicle weight is an important step to cut the emissions and, in turn, drives the original equipment manufacturers to opt for lightweight materials, such as magnesium and carbon fiber reinforced plastic, to manufacture vehicle components
- China is one of the major producers of die casting parts and accounted for more than 60% of the regional (Asia-Pacific) die casting market share, producing over 49.3 Mn MT of castings in 2019
- India has the world’s second-largest foundry industry. Foundries in India can produce die casting products that serve a wide range of applications conforming to international standards



MINING & METALS

MAGNESIUM DIE CASTING

Public / متاح

SUPPLY

SCALABILITY AND LOCALIZATION

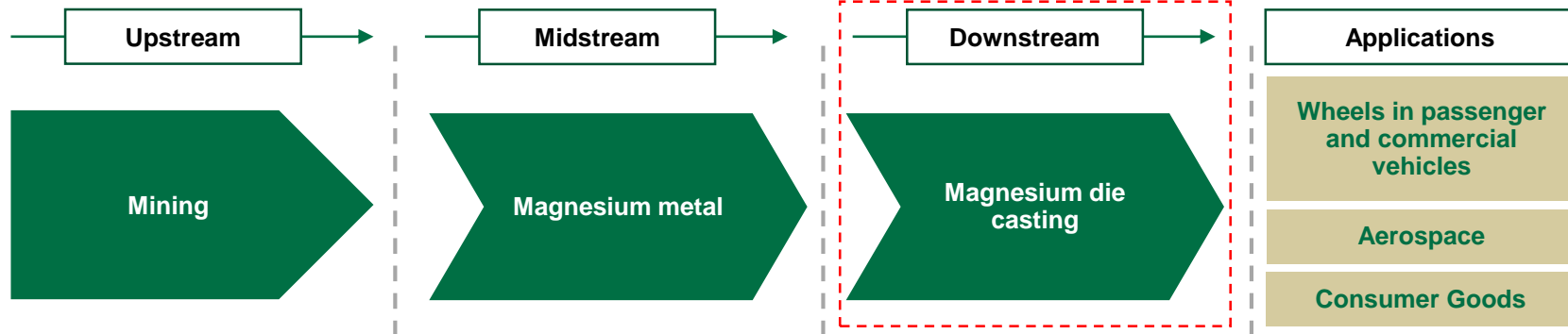
Grade: Low Medium High

- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint
- KSA has abundant dolomite resources which could be used as feedstock for magnesium metal, which is used to produce magnesium die casting
- End-to-end logistics connectivity exists in KSA to support investment development
- Local content policies to favor Saudi based manufacturers
- Dedicated capability building and vocational training programs (e.g., industrial colleges, leadership programs)

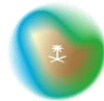
IMPORT DEPENDENCY

- Currently there is no local production of magnesium die casting in KSA and local demand is fully met through imports

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF) and 2-year grace period for the repayment of loans
- 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
Construction costs (Indexed to US, % 0 is cheapest)	74
Ease of getting credit (0 – 100)	50



Sources for Cost of Doing Business: EIU, World Bank

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. 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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