

# BRASS FOUNDRY

## INVESTMENT OPPORTUNITY SCORECARD

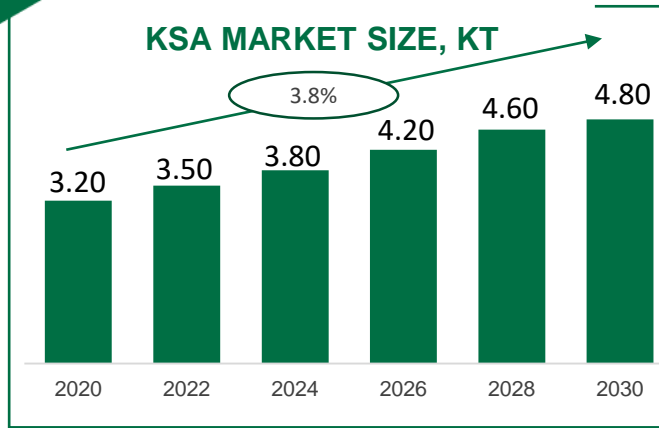
### MINING & METALS



# MINING & METALS Brass Foundry

**OPPORTUNITY'S DESCRIPTION:** Opportunity to develop a 10 ktpa brass foundry plant to supply the domestic and regional market

## DEMAND



## INVESTMENT HIGHLIGHTS

- Expected investment size of USD 35 Mn
- Plant capacity: 10 ktpa
- Expected IRR: : 10.1%
- 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
- Opportunity to cater demand created through giga projects in KSA
- In line with Saudi Vision 2030, KSA aims to maximize local production of copper and supply primary raw material to the local copper and zinc-based industries

## KEY DEMAND DRIVERS

- Demand for brass is mainly driven by three factors – growth in the construction market, industrial diversification plans and large-scale investments in automotive and infrastructure-based projects
- Construction industry in KSA is the largest in the GCC region, with more than USD 825 Bn worth of planned and unawarded projects as of 2020
- KSA’s industrial sector is expected to grow by 15.1% over the next 10 years catalyzed by an attractive ecosystem consisting of industrial cities, well-developed infrastructure, high-quality supply chains, and improving logistics network
- Upcoming auto cluster in short-medium term is expected to propel demand for brass products in KSA

## MARKET OVERVIEW

### GLOBAL TRENDS

- Brass is a copper-zinc alloy that typically contains 65% copper and 35% zinc. Brass accounts for approximately 11% of global first-use zinc demand. Brass has closer similarities to copper than zinc as it is hard and durable and recyclable
- Brass is further processed to develop brass wires, brass rods, brass strips and bars, and other products
- The global brass bars market is expected to grow at a CAGR of 1.7% to reach USD 12.9 Bn by 2025
- The global brass rods market is expected to reach USD 18.7 Bn by 2027, growing at a CAGR of 3.1%. Brass Rods are used in production of the force components such as pins, rivets, washers, nuts, pipe, pressure gauge, screen, radiator parts



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## SUPPLY

### SCALABILITY AND LOCALIZATION

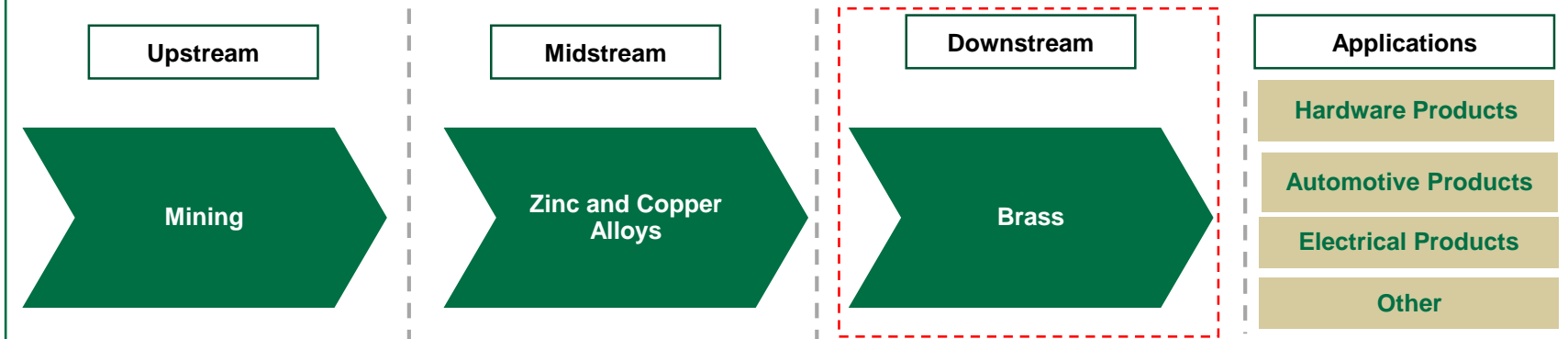
Grade: Low Medium High

- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint
- There is local availability of copper and brass scrap that can be used by foundry operations
- 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)

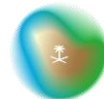
### IMPORT DEPENDENCY

- Currently, entire KSA demand is met through imports

### VALUE CHAIN ANALYSIS



### KEY STAKEHOLDERS



Sources for Cost of Doing Business: EIU, World Bank

## 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

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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