

FERROSILICON

INVESTMENT OPPORTUNITY SCORECARD

MINING & METALS

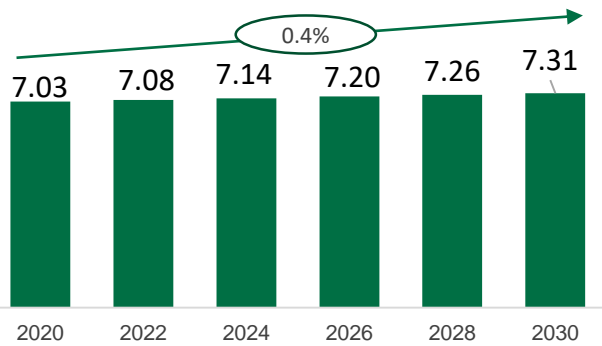


MINING & METALS Ferrosilicon

OPPORTUNITY'S DESCRIPTION: Opportunity to develop 80 KTPA ferrosilicon smelter to supply the domestic and global market

DEMAND

GLOBAL MARKET SIZE,
Million Tonnes



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 180 Mn
- Plant capacity: 80 ktpa
- 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
- KSA has the largest steel capacity in the GCC region
- In line with Saudi Vision 2030, KSA aims to utilize the abundance of resources to produce high added value products to localize the primary raw materials for local steelmaking

KEY DEMAND DRIVERS

- Ferrosilicon is a raw material in the steel making process as the current demand in KSA is 14 KT in 2019
- In line with Saudi National Mining Strategy 2030, KSA plans to double the production of steel which will create a major demand gap for the ferrosilicon.
- Demand for magnesium metal is mainly driven by increased production of die-castings, aluminum alloys and titanium sponge

MARKET OVERVIEW

GLOBAL TRENDS

- Global Ferrosilicon Market is estimated to reach USD 9 Bn by 2027, growing at a CAGR of 0.4% over the forecast period 2020-2027
- China accounts for ~2/3 of global ferrosilicon production
- Steel accounts for ~70% of end-use ferrosilicon demand
- Ferrosilicon demand growth will be driven by Asian countries such as India and Indonesia, which will exhibit robust crude steel production growth
- Rising demand for ferrosilicon as a deoxidizer and inoculant across the various end-use industries is expected to have significant impact on the market growth over the near future.



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SUPPLY

SCALABILITY AND LOCALIZATION

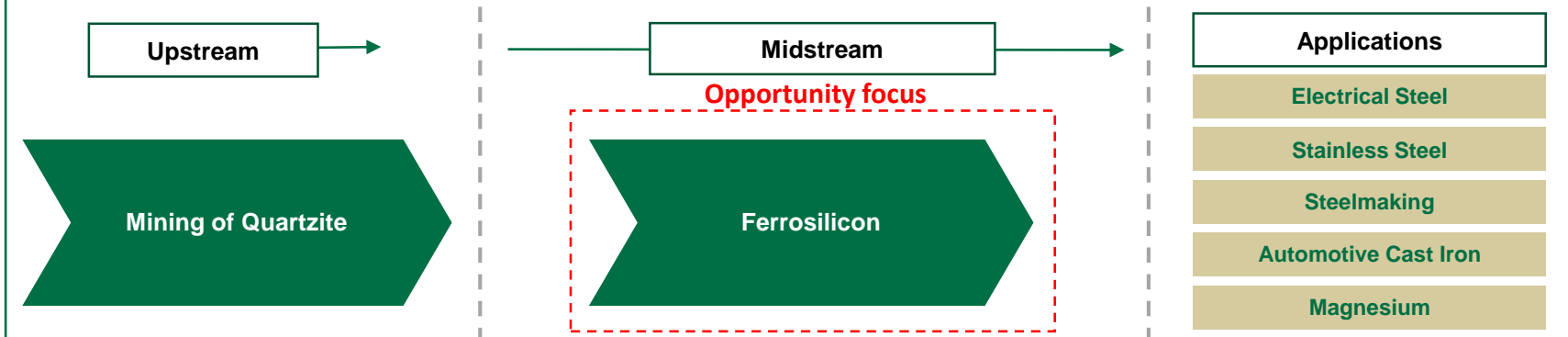
Grade: Low Medium High

- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint
- Quartzite reserves exist in KSA. However, KSA has not started commercial mining of quartzite for the Ferrosilicon. KSA has abundant quartzite resources which could be used as feedstock for the ferrosilicon smelter
- Local content policies to favor Saudi based manufacturers

IMPORT DEPENDENCY

- Ferrosilicon is currently not produced in KSA. Hence, KSA is fully reliant on import of ferrosilicon

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

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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