

# Maleic Anhydride

## INVESTMENT OPPORTUNITY SCORECARD

### CHEMICALS

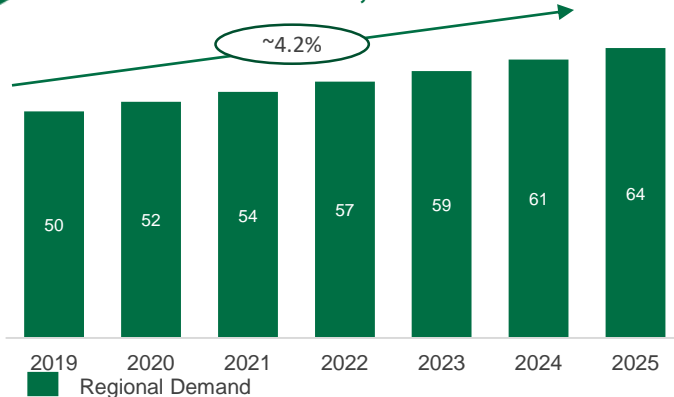
Aug 2021



**OPPORTUNITY DESCRIPTION:** Opportunity to setup Maleic Anhydride manufacturing facility of 150 KMT in KSA to cater regional and global demand

## DEMAND

### MARKET SIZE, KMT



## INVESTMENT HIGHLIGHTS

- Expected investment size of USD 100 Mn
- Plant capacity: 30 KMT
- Expected IRR: More than 12%

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output
- KSA is strategically located at the crossroads of several markets that have high demand for chemical products
- KSA benefits from having an abundant access to raw materials and a high standard of infrastructure that is continuously being improved upon
- Opportunity for first mover advantage due to non-existent local production of Propionic Acid and lack of competition from major global manufacturers
- This opportunity has a strategic alignment with vision 2030 and National Industrial Strategy by supporting many sectors such as automotive and food and beverage

## KEY DEMAND DRIVERS

- Middle east and regional demand at 50,000 tons led by UPRs with significant UPR production in KSA. Customers would ideally use locally e molten product.
- Demand for unsaturated polyester resins is influenced by the health of the construction industry and overall state of the economy. Other significant markets for maleic anhydride include lubricating oil additives, production of organic acids (fumaric, malic, and succinic), and copolymers

## MARKET OVERVIEW

### GLOBAL TRENDS

- The largest market for maleic anhydride is unsaturated polyester resins, which account for more than 60% of the total production of maleic anhydride.
- global MAN consumption is expected to grow at an average annual rate of 4.3% during 2017–22, with China and other developing regions will take the lead.
- Worldwide maleic anhydride (MAN) capacity is more than 3.1 million metric tons per year, of which nearly 75% is in Asia, 12% in North America, and 8% in Western Europe. China itself now accounts for about 63% of the world total capacity
- Maleic Anydride is widely used in Construction/Automotive (via UPR), Aerospace & Defence (via specialty epoxies and specialty anhydrides), Agriculture (via agchem), Food (via food acids) and Coatings (via SMA copolymers)



## SUPPLY

### SCALABILITY AND LOCALIZATION

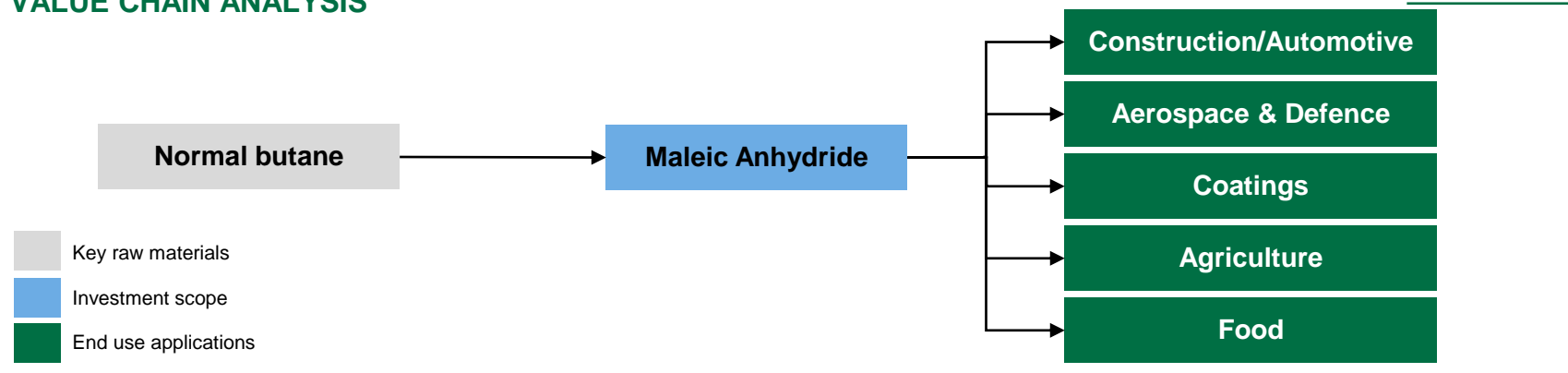
Grade: Low Medium High

- Easy local access to key the primary raw materials in KSA - Normal butane produced by the International Diols Company in Al Jubail.
- Mixed butanes are obtained in refinery operations and from gas processing in the Kingdom.
- KSA's strategic advantage over regional peers in cost of establishing the business, especially in the manufacturing domain
- Potential to serve the local and regional markets and create a 'regional hub' for chemicals manufacturing in KSA

### IMPORT DEPENDENCY

- No local production of Methacrylic acid in Saudi Arabia, 100% of the local demand 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)
- 2-year grace period for the repayment of loans
- Expat worker levy waived-off for industrial manufacturers until October 2024
- HRDF covers 30-50% of Saudi employees monthly salaries (additional 10% for females) for 2 years, provided that 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	<b>Market size</b>	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	<b>Demand drivers</b>	A select number of factors that will influence future demand for the related product/service
3	<b>Investment highlights</b>	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	<b>Value proposition</b>	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	<b>Market readiness</b>	An overview of KSA market structure, market maturity and level of participation by local and global players
6	<b>Competitor analysis</b>	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	<b>Global trends</b>	Latest business developments within the sector/product category
8	<b>Scalability and localization</b>	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	<b>Import dependency</b>	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	<b>Value chain analysis</b>	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	<b>Key stakeholders</b>	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	<b>Enablers</b>	Factors that enable investment in the underlying opportunity
13	<b>Cost of doing business in KSA</b>	Key factors that position KSA as a competitive destination for investment in the region

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