

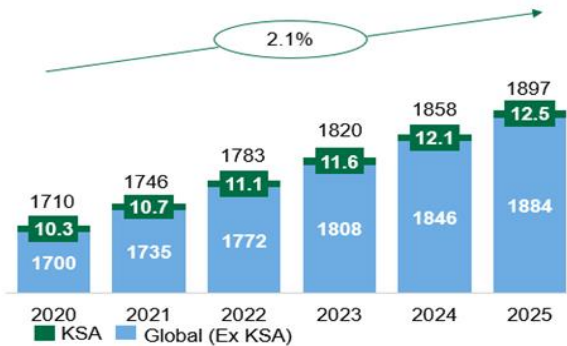
[Pigments, Inorganic color]
INVESTMENT OPPORTUNITY
[Inorganic]



OPPORTUNITY DESCRIPTION: Opportunity to develop Pigments, Inorganic color production facility of ~25 KTA in KSA to cater regional and global demand

DEMAND

MARKET SIZE, KT



INVESTMENT HIGHLIGHTS

- Expected investment size of ~USD 70 MN
- Plant capacity: 25 KTA
- Expected IRR: >15%

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Feedstock, including iron ore, is accessible within Saudi Arabia. Mining strategy connected to Saudi's Vision 2030, with prime locations for deposits identified in Wadi Sawawin, Wadi Fatima, and Jabal Idsas.
- There is only one producer of inorganic color pigments in the region.
- KSA has a strategic location with favorable trade agreements and strong logistics infrastructure enabling it to serve emerging markets. Turkey is a major importing country in the region, importing close to 10 thousand metric tons. Opportunity to displace imports into the region.

KEY DEMAND DRIVERS

- The primary drivers of consumption of inorganic color pigments are growth in urbanization that develops new application areas for paints and coatings, building materials, and plastics; market changes where developing countries' needs are increasing with their affordability; and environmental regulations and standards.
- Iron oxides are by far the largest segment, accounting for 84% of the market.
- Increasing investments in infrastructure and new buildings will require more iron oxide, which goes into roads and lanes, pavement stones, roofing materials, floor mosaics.

KEY PLAYERS

- LANXESS
- Jiangsu Yixing City Yuxing Pigment
- Cathay Pigments
- Venator (former Huntsman)
- Shenghua Group

MARKET OVERVIEW

GLOBAL TRENDS

- Inorganic color pigments include iron oxides, chromes, ultramarines, iron blues, cadmiums, bismuth vanadates, and rare earth sulfides.
- World consumption of inorganic pigments is estimated at 1.6 million metric tons in 2020 with growth forecast at 2.1% annually during 2020-2025.
- Production is dominated by China, followed by Europe and Japan; with the largest consumers of pigments being China, Europe, and North America.
- There has been consolidation of the industry over the last years. The most important challenges for pigment producers is the continuing globalization of the business, the maturing markets in some applications and regions, the oversupply of commodity pigments and changes in health and environmental regulations.



SUPPLY

SCALABILITY AND LOCALIZATION

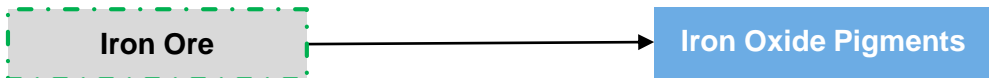
Grade: Low Medium High

- Local access to key primary raw materials in KSA. Iron ore is available in various locations in Saudi Arabia, Kingdom exported \$300k worth of Iron Ore. Wadi Sawawin represents one of the largest iron ore reserve in KSA having estimated reserves of 383 million metric tons of ore grading 40% iron.
- Inorganic pigments in the region will fulfill the requirements of regional end-use industries.
- A prospective investment in the Kingdom will help development of main applications for iron oxide pigments locally and in the Middle East in the end uses including coloring of cement, glass and ceramics.

IMPORT DEPENDENCY

- There are no producers of inorganic pigments in Saudi Arabia.
- In 2020, the region was a net importer of inorganic pigments, totaling 32 thousand metric tons.

VALUE CHAIN



Served Applications

- Paints and Coatings
- Plastics
- Building Materials
- Textile Printing

Key raw materials (dashed box) | Investment scope (solid box) | End use applications (solid box) | Raw materials available in KSA (dashed box)

KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS & INCENTIVES

- 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 employee's monthly salaries (additional 10% for females) for 2 years, provide 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
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	Business 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	Global trends	Latest business developments within the sector/product category
7	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
8	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
9	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
10	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
11	Enablers	Factors that enable investment in the underlying opportunity
12	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

DISCLAIMER

- This material must be used only to access information, and the information must not be construed, under any circumstances, explicitly or implicitly, as an offer to sell or a solicitation to buy or sell or trade in any opportunity herein mentioned.
- Ministry of Investment (MISA) has no undertaking to update these materials after the date, with the understanding that such information may become outdated or inaccurate.
- Mentioned information in this material is obtained from reliable sources but its accuracy and reliability are in no way guaranteed. No guarantee of any kind is tacit or explicit when projections of future conditions are attempted. MISA has used public/or confidential data and assumptions and has not independently verified the data and assumptions used in the analyses. Changes in underlying data or operating assumptions will clearly impact the analyses and conclusions.
- The financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard methodologies, are not definitive projections, and are not guaranteed by MISA
- The content of this material must not be construed as an implied promise or guarantee for profit or limited loss express or implied by or from MISA or any of its officers, directors, employees and affiliates. All mentioned investments in this material are subject to risk, which should be considered prior to making any investment decisions
- MISA shall have no liability whatsoever to any third party, and hereby any third party waives any rights and claims it may have at any time against MISA with regard to this material, any services or other materials, including the accuracy or completeness thereof.

CONNECT WITH US FOR MORE DETAILS:

Petrochemicals@misa.gov.sa

investsaudi.sa



@investsaudi

INVEST
SAUDI 