

RUBBER COMPOUNDING
INVESTMENT OPPORTUNITY
Conversions



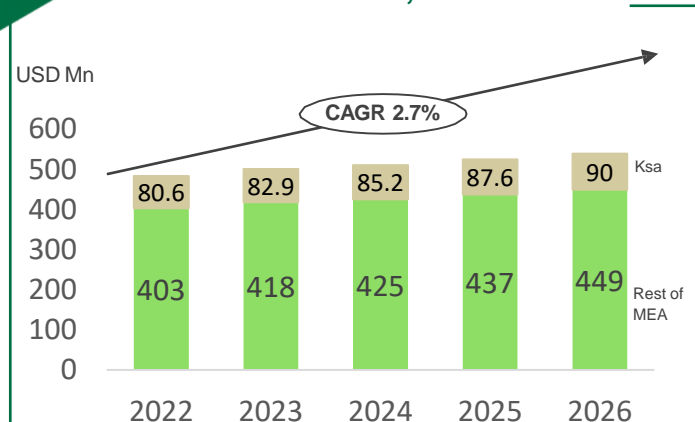
Conversions

Rubber Compounding

OPPORTUNITY DESCRIPTION: Opportunity to setup rubber blending / compounding plant in KSA to serve regional demand

DEMAND

MARKET SIZE, USD



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 15 Mn
- Plant capacity: 15-20 KTPA
- Expected IRR*: 12-18%
- Payback period*: 5-8 years
- Job Creation: ~ 60 Employees
- GDP Impact: ~ 8 Mn USD
- Location (Region): Yanbu

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA and ME is a sizeable market for consumption of rubber components and by 2030 expected to have demand of over 1500KTPA for rubber based parts
- KSA is one of the largest chemical producers with major rubber building blocks available locally at competitive prices
- EPDM, Butyl, SBR etc are available through KEMYA in KSA along with PE, PP from SABIC
- Opportunity to set up a central compounding facility to cater to convertors

KEY DEMAND DRIVERS

- Multiple rubber conversion facilities are expected to be set up to support industrial transformation of KSA and there is need for high quality compounders with ownership of recipes
- Rubber components has many application in automotive, domestic equipment, consumer, electronic markets etc.
- High demand for rubber goods is mainly due to its physical characteristics and relatively stable chemical performance – impact strength, flexibility, easy processing, solvent resistant grades, versatility etc.

RAW MATERIALS

- EPDM
- SBR
- NBR
- PE/PP

MARKET OVERVIEW

GLOBAL TRENDS

- Example: The global market size for rubber goods is estimated at \$8.3 bn projected to grow at about 2.1% CAGR till 2024 – Use Rubber compounding data
- Rubber compounds market is witnessing an improvement in profitability with rise in inventory of raw rubber
- Asia Pacific, as a region, is the largest producer of rubber goods
- There are many major global players servicing auto parts like Cooper Standard, Sargummi and many smaller regional convertors as well.



Conversions

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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Plants can be expanded to add multiple components as output by adding molds/tools or dyes as needed
- Easy access to primary raw materials in KSA (EPDM, SBR, Butyl blends)
- Elastomers grades available from KEMYA except for NBR.
- KEMYA is flexible to make necessary grades to support local production

IMPORT DEPENDENCY

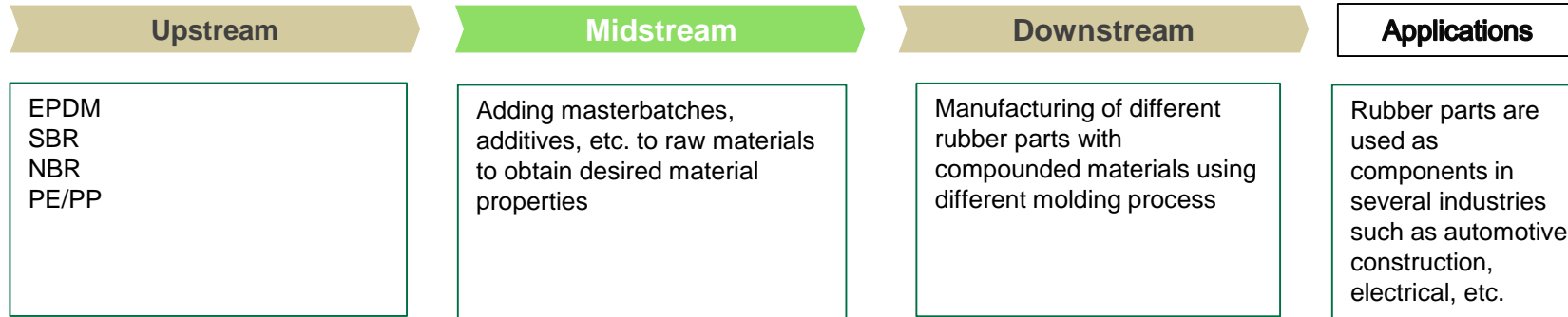
- KSA imports significant amount of rubber & rubber-based products valued at \$1.5 billion in 2018
- Technology for high quality blending and recipe for compounding is expected from the investor

ENABLING FACTORS

ENABLERS & INCENTIVES

- Custom land options from RCJY AND Modon
- 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

VALUE CHAIN



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

KEY STAKEHOLDERS



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

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