

Steel Structural Profiles
INVESTMENT OPPORTUNITY
Machinery & Equipment



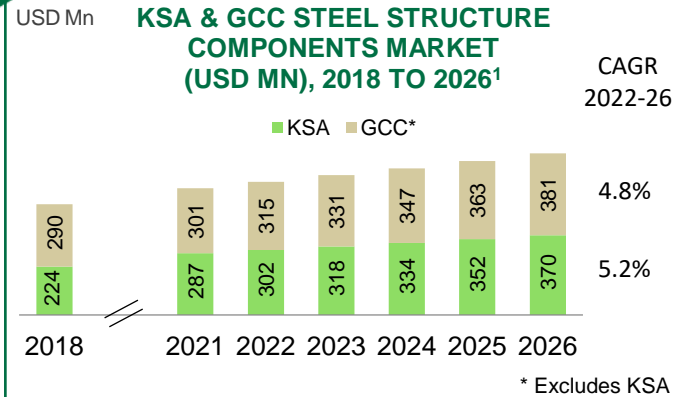
Machinery & Equipment

Steel Structural Profiles

OPPORTUNITY DESCRIPTION: Establish a facility to manufacture structural steel profiles to support on-going and proposed industrial and infrastructure development

DEMAND

MARKET SIZE



KEY DEMAND DRIVERS

- The Saudi construction industry has registered the strongest quarterly growth since 2014, accounting \$7.6 billion in Q2 of 2022³. Infrastructure and industry are amongst the key pillars of Vision 2030 and continued investment in these sectors will drive demand for structural profiles
- Strategic mega construction projects such as NEOM, Qiddiya, Red Sea, Jabal Omar, Amaala, Ad Diriyah, Al Widyah, King Salman Park, Jeddah Tower, Jeddah and Riyadh Metro, etc. and associated infrastructure developments will further augment demand for structural profiles

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD#: 45 to 50 Mn
- Plant capacity#: 202,000 MT
- Expected IRR#: 18.7%
- Payback period#: 7.60 years
- Job Creation#: 430
- GDP Impact#: USD 38 Mn
- (The proposed investment is for a facility that processes steel billets to manufacture structural profiles. Alternatively, structural profiles can be a part of an integrated Iron & Steel plant where the estimated CAPEX can be anywhere between USD 300 to 410 Mn for 8.04 MTPA capacity)

INVESTMENT OVERVIEW

VALUE PROPOSITION

- The KSA value chain for structural steel currently consists of only downstream fabricators and erectors with no upstream capability for structural profile manufacturing
- The key structural profiles required for fabrication and erection for target segments are currently imported into the country due to absence of local steel mills specifically required for manufacturing structural profiles (beams, angles etc.)²
- Export potential** – Setting up in KSA allows access to trade routes that account for 13% of world trade
- Infrastructure** - Special economic zones and Industrial townships provide world class infrastructure and competitive access to utilities

MARKET OVERVIEW

RAW MATERIALS

- Carbon steel
- Iron ore
- Zinc – for hot dip galvanizing required for corrosion protection

GLOBAL TRENDS

- The structural steel market size was valued at USD 96.94 billion in 2020 and is expected to grow at a CAGR of 5.3% from 2021 to 2028
- While limited innovation is being witnessed in structural steel profile manufacturing, innovations in steel manufacturing have been focusing on production of more flexible and resilient steel as well as use of hydrogen, renewable electricity to produce “green steel” that have lower carbon emissions associated with the manufacturing processes
- Rising investment in industrial manufacturing facilities and infrastructure will continue to drive demand for structural steel profile globally



Machinery & Equipment

Steel Structural Components/ Profiles

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- The proposed facility is for post processing of steel (billets, bars, tubes etc.) to manufacture different structural profiles. This facility can be a part of an integrated steel mill with steel rolling, heat treatment and straightening or can be an independent setup comprising of heat treatment and rolling mills
- Value chain localization can be enhanced through local manufacturing of steel products such as billets, plates, tubes and sheets

IMPORT DEPENDENCY

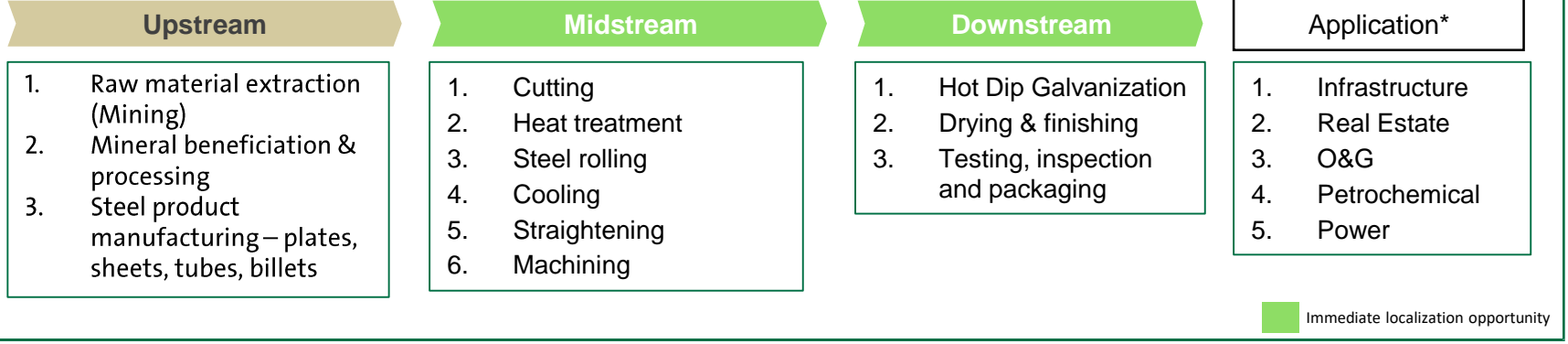
- Current demand for structural steel profiles is met through imports owing to absence of local steel mills required for profile manufacturing in the country⁴
- Imports from HCC countries like Germany, USA and UAE offer an immediate opportunity for substitution through local manufacturing with KSA offering high competitiveness on core costs such as energy, land etc. amongst others⁵

ENABLING FACTORS

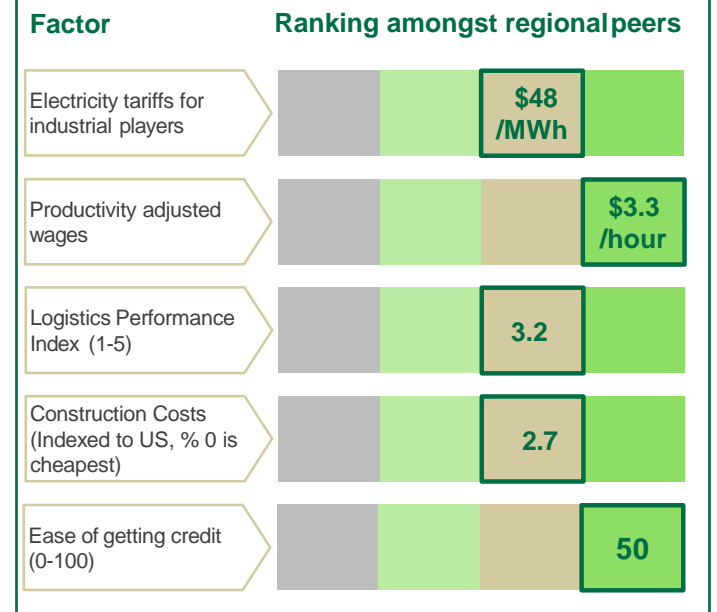
ENABLERS & INCENTIVES

- Customs duties** exemption on imported machinery, equipment, raw materials and spare parts utilized for industrial purpose
- Access to **local content initiatives and programs** at demand centers
- HRDF **covers monthly salaries of up to 30%** for Saudi employees (extra 10% for females) for 2 years
- Expat worker **levy waived off** for industrial manufacturers
- Tax rebates** on exports, raw material imports, and **50% tax credit** on Saudi national worker's payroll & training costs for 10 years
- 2-year **grace period** for the repayment of loans
- Unprecedented access to a **diversified value chain** - especially raw materials (steel, iron ore, zinc etc) that can be used to manufacture structural steel locally

VALUE CHAIN



COST OF DOING BUSINESS IN KSA



KEY STAKEHOLDERS



Source: ⁴Team Analysis; ⁵UN Comtrade

Note: HRDF - Human Resources Development Fund, Scalability & Localization Grade is defined as

1. high – if the set up can support localization of multiple product categories,
 2. medium – if multiple products within a category can be localized and
 3. low – if it supports localization of a single product only. *Only key applications are highlighted



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:

ME@misa.gov.sa

investsaudi.sa



@investsaudi

