

Ultra-pure MDI

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

Aug 2021



CHEMICALS

Ultra-pure MDI

Public / متاح

High Potential

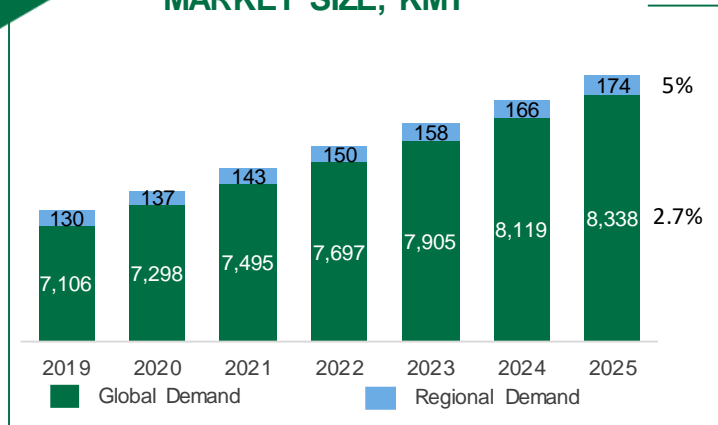
Moderate Potential

Low Potential

OPPORTUNITY DESCRIPTION: Opportunity to setup Ultra-pure MDI manufacturing plant in KSA to cater regional and global demand

DEMAND

MARKET SIZE, KMT



INVESTMENT HIGHLIGHTS

- the project is purely private sector investment with land lease from MODON
- The capital investment size is to be determined based on the plant capacity and available feedstock materials

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

- The planned automotive cluster in Jubail will be a major downstream user for polyurethane.
- availability of all primary raw materials will generate synergies for MDI production in the region.
- Polyurethane demand in MEA is increasing, 4.5% growth rate (2017-2024) in Iran. Additionally, demand from increasing EPC investments in Jubail and other parts of KSA will provide downstream synergy.

MARKET OVERVIEW

GLOBAL TRENDS

- Ultra-pure MDI is used for spandex fibres and thermoplastic polyurethanes. In 2017, Sadara Chemical set up a MDI manufacturing facility in Jubail with annual production ~400,000 tonnes/year. Prior to this, the Middle East was dependent on imports from Asia and Europe.
- Ultra-pure MDI is widely used in Automotive, electronics, construction, renewable energy, aerospace and recreation and tourism industry.

SUPPLY

SCALABILITY AND LOCALIZATION

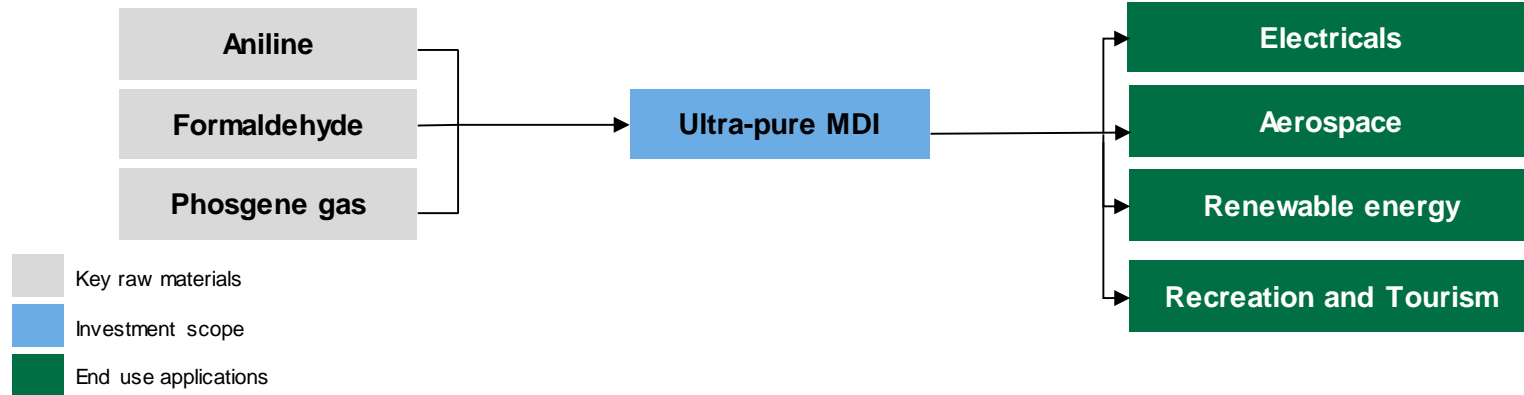
Grade: Low Medium High

- Easy local access to key the primary raw materials in KSA - Aniline is available in Jubail from Sadara Chemical, Formaldehyde is produced by Chemanol.
- Potential to serve the local and regional markets and create a 'regional hub' for chemicals manufacturing in KSA
- KSA has a strong logistics infrastructure and supportive regulatory value chain to support the export of Precipitated Silica globally.

IMPORT DEPENDENCY

- No local production of Ultra-pure MDI 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	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

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