

# Formic Acid

## INVESTMENT OPPORTUNITY SCORECARD

### CHEMICALS

October 2020

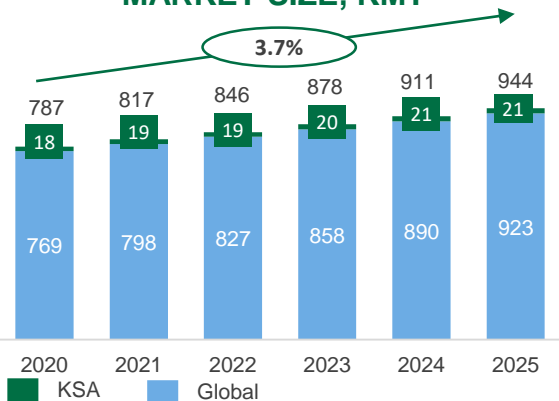


# CHEMICALS Formic Acid

**OPPORTUNITY DESCRIPTION:** Opportunity to develop a Formic Acid production facility of ~40 - 45 KMT in KSA to cater regional and global demand

## DEMAND

MARKET SIZE, KMT



## INVESTMENT HIGHLIGHTS

- Expected investment size of USD 107 Mn
- Plant capacity: 40-45 KMT
- Expected IRR: More than 12%

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- KSA has a strategic location and access to feedstock enabling it to serve emerging markets like India, Africa and South East Asia
- KSA can leverage favorable trade agreements (eg: GAFTA) and strong logistics infrastructure to enhance export capability
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output
- Opportunity for first mover advantage due to non-existent local production of Formic Acid and lack of competition from major global manufacturers

## KEY DEMAND DRIVERS

- Animal feed/silage preservation and leather and tanning are the most common applications of the Formic Acid in the Middle East region
- Increasing consumption of meat and processed food in the Middle East is another important demand driver
- Additionally, formic acid demand is driven by consumption in pharmaceutical, textile and natural rubber industries mainly in India and South East Asia

## MARKET OVERVIEW

### GLOBAL TRENDS

- The demand for Formic Acid is globally concentrated in West Europe and China
- In next five years India's consumption of Formic Acid is expected to grow at the rate of more than 7% per year, whereas Middle East will grow at 3.5% per year and South East Asia by 4% per year
- Increased fiber production is expected to increase demand for Formic Acid in textile dyeing and finishing sectors.
- Formic acid is increasingly consumed by natural rubber industry in Thailand, Indonesia, and Malaysia. Rubber industry in these countries is expected to grow by nearly 3.5% p.a.

### SUPPLY

#### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Easy access to key raw materials in KSA – Methanol and Carbon Monoxide
- Strong logistics and transportation infrastructure to facilitate regional/global export of Formic Acid manufactured in KSA

#### IMPORT DEPENDENCY

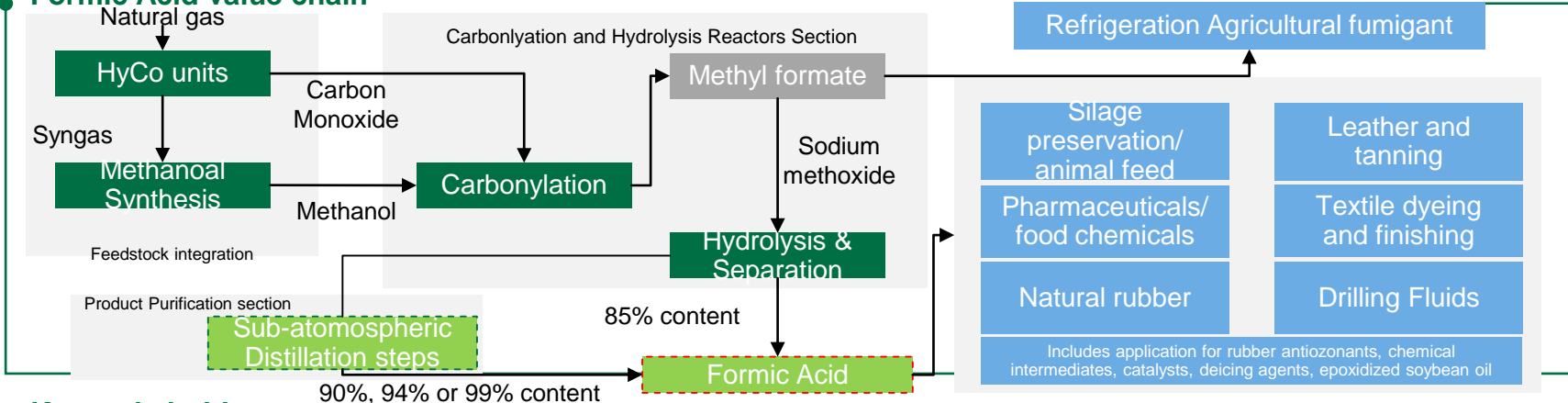
- No local production of Formic Acid in KSA, and 100% of the entire Middle East and Africa region demand is met by imports

### 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

#### Formic Acid value chain



#### Key stakeholders



National Industrial Development and Logistics Program



صندوق التنمية الصناعية السعودي  
Saudi Industrial Development Fund

#### 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

**CONNECT WITH US FOR MORE DETAILS:**

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