

Methacrylate Butadiene Styrene (MBS) Resin

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

October 2020

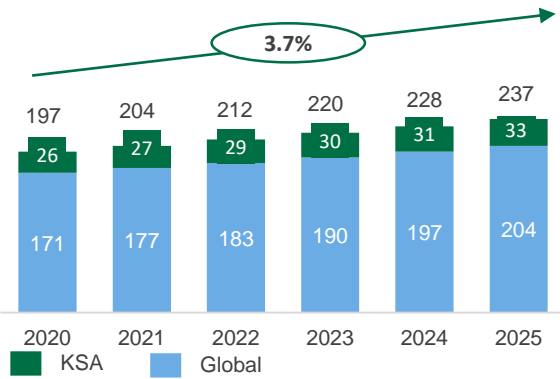


Methacrylate Butadiene Styrene (MBS) Resin

OPPORTUNITY DESCRIPTION: Opportunity to develop a Methacrylate Butadiene Styrene (MBS) Resin production facility of ~ 25 - 40 KMT in KSA

DEMAND

MARKET SIZE, KMT



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 115 Mn
- Plant capacity: 25 - 40 KMT
- Expected IRR: More than 12%

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 MBS Resin and lack of competition from major global manufacturers

KEY DEMAND DRIVERS

- Middle East MBS Resin demand is ~25 KMT and expected to reach 33 KMT in 2025 growing at 4.5% p.a.
- Demand for MBS Resin is mainly driven by end consumer segments such as industrial, electrical and construction industries
- MBS Resin is also used in automotive and aerospace sectors, that are key focus segments of the KSA government's industrial development plan and economic diversification policy

MARKET OVERVIEW

GLOBAL TRENDS

- Global MBS Resin market is mainly dominated by tier 1 players such as Kaneka Corporation, Arkema, INEOS Styrolution Group GmbH, LG Chem., Mitsubishi Chemical Holdings Corp., Shandong Novista Chemicals Co., Ltd., and The Dow Chemical Company
- Major producers of the MBS Resin are focusing on technological advancements, product innovation, and adoption of new types of blends to develop cost-effective solutions with ideal enhancements
- MBS Resin producers are entering into long-term partnerships with raw material suppliers, end-use industries, and launching new products in order to have a strong presence in the global market
- China is the world's largest PVC producer (downstream product) and accounts for more than half of the global PVC production. It also consumes ~50 % of global MBS Resin. The average selling price for MBS Resin is lesser in China as compared to countries in Latin America and North America as their demand is higher and their supply is sluggish



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Easy access to key raw materials in KSA – Styrene and Butadiene
- Styrene is produced by SADAF (Jubail) and Saudi Chevron Phillips
- Butadiene is produced by Saudi Kayan (Jubail) and Petrokemya
- Regional demand to outpace global demand (by over 5%) presenting opportunity for manufacturing MBS Resin in KSA

IMPORT DEPENDENCY

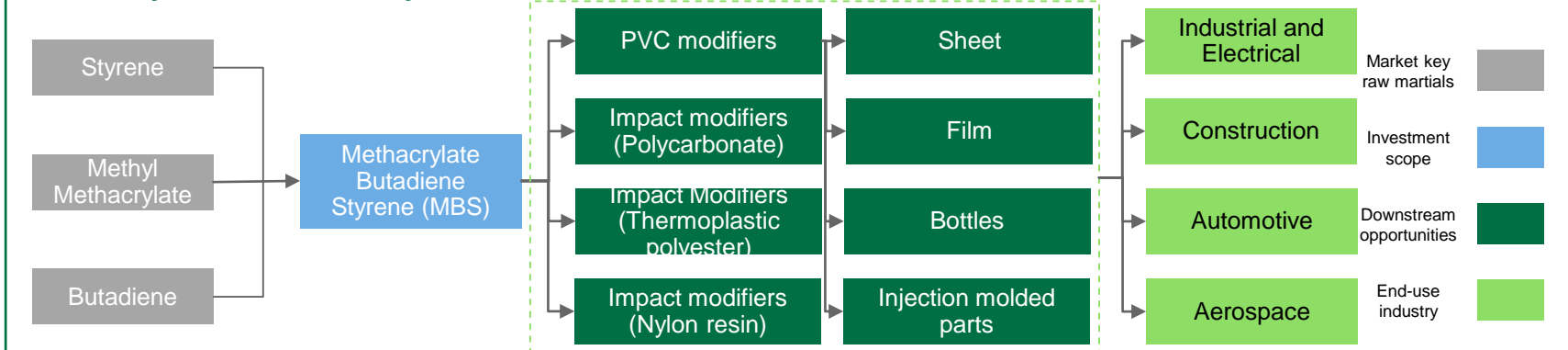
- No local production of MBS Resin in the entire Middle East region, 100% of the local demand in KSA is met by imports

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

Methacrylate Butadiene Styrene Resin 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
Customs Clearance Index (1 – 5)	2.7
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	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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