

HQ HOT ROLLED COIL PRODUCTION PLANT

INVESTMENT OPPORTUNITY SCORECARD

MINING & METALS

OCTOBER 2020

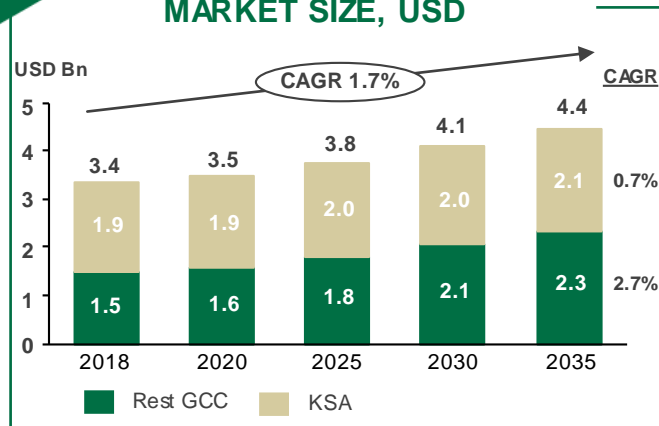


HQ HOT ROLLED COIL PRODUCTION PLANT

OPPORTUNITY'S DESCRIPTION: Opportunity to setup a 3 mtpa capacity manufacturing plant for high quality hot rolled coil to cater local and regional demand

DEMAND

MARKET SIZE, USD



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 900 Mn
- Plant capacity: 3 mtpa
- Expected IRR: 14%
- Payback period: 9.1 years

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Mining Industry set to become the “third pillar” of the Saudi industrial base due to KSA’s rich deposits of minerals
- KSA’s geographical advantage and trade agreements with neighboring countries make exporting favorable
- KSA is working to develop sustainable and globally competitive value-added semi-finished and finished metal industries (downstream) that support the Kingdom’s goals of diversification

KEY DEMAND DRIVERS

- Demand is expected to increase with a CAGR of 1.7% during the period 2018-2035 due to increasing projects in the main HRC consuming industries, construction, oil and gas, automotive, shipbuilding, and packaging
- Giga projects (economic cities, industrial zones/clusters and residential complex) planned/initiated in KSA to drive demand for HQ Hot Rolled Coil
- In line with Saudi National Mining Strategy 2030, KSA plans to double the production of steel to meet full long steel demand
- KSA moves to extend its downstream industrial reach

MARKET OVERVIEW

GLOBAL TRENDS

- Hot-rolled steel coils are widely used in truck frames, heavy machinery, large pipes and tubes, agricultural equipment, and metal building applications
- Increasing automation in various industries is likely to drive the global market for hot-rolled steel coils in the near future
- The automotive industry is likely to witness significant demand for steel coils – there are plans in KSA to develop an automotive cluster with capacity up to 600,000 light vehicles
- The demand for hot-rolled steel coils is expected to increase in the near future, with a continued focus on energy efficiency and increase in sales of electric vehicles (EVs) and hybrid electric vehicles (HEVs) across the world



HQ HOT ROLLED COIL PRODUCTION PLANT

SUPPLY

SCALABILITY AND LOCALIZATION

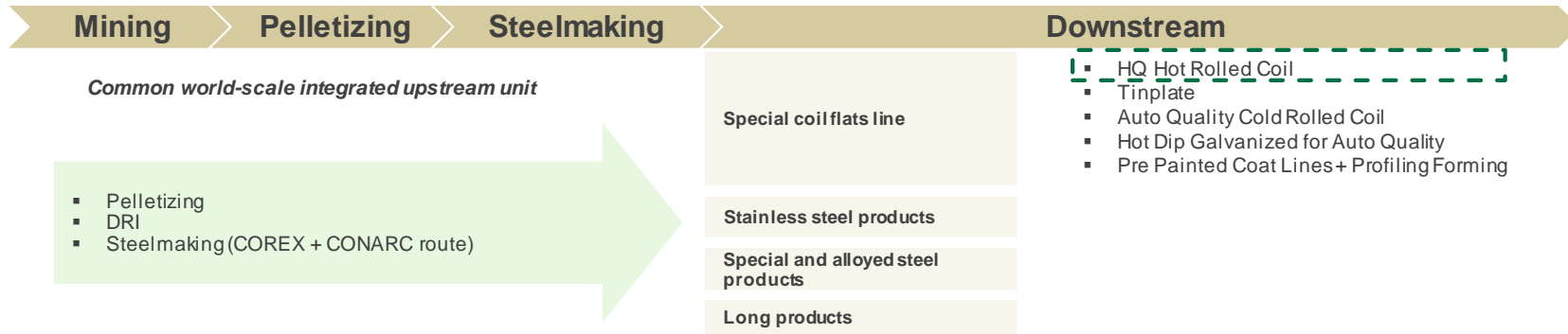
Grade: Low Medium High

- Competitive advantages along the steel value chain can be achieved with a locally established integrated steel-making facility
- Local production will become cost competitive against main Hot Rolled Coil competitors – India and China
- Raw material (liquid steel) will also be obtained from the integrated steelmaking plant (pelletizing + DRI + steelmaking) that will also be developed in the country

IMPORT DEPENDENCY

- Current HRC demand cannot be supplied with the installed capacity in the country, so it is covered by imports of HRC and other flat products
- In 2018, 57% of KSA's imports of HQ Hot Rolled Coil were from China

STEEL VALUE CHAIN



KEY STAKEHOLDERS



وزارة الاستثمار
Ministry of Investment



الصندوق
الصناعي
صندوق التنمية الصناعية السعودي
Saudi Industrial Development Fund

هيئة المحتوى المحلي
والمشتريات الحكومية
Local Content & Government
Procurement Authority



ENABLING FACTORS

ENABLERS

- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF)
- 2-year grace period for the repayment of loans
- Human Resources Development Fund (HRDF) provides 30%, 20%, and 10% of Saudi nationals' salaries for their 1st, 2nd & 3rd years of work, respectively

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

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

CONNECT WITH US FOR MORE DETAILS:

Metals@misa.gov.sa

investsaudi.sa



@investsaudi

