

Heavy Profiles, Marine Profiles & Rails

INVESTMENT OPPORTUNITY SCORECARD

MINING & METALS

NOVEMBER 2020

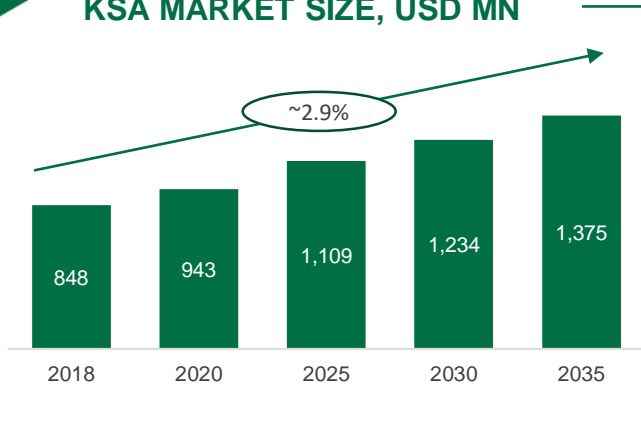


Heavy Profiles, Marine Profiles & Rails

OPPORTUNITY'S DESCRIPTION: Setup a manufacturing plant with a capacity of 1.6 mtpa to produce heavy profiles, marine profiles & rails to serve the construction, maritime and rails demand

DEMAND

KSA MARKET SIZE, USD MN



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 800 Mn
- Plant capacity: 1.6 mtpa
- Expected IRR: 9%
- Expected payback period: 9.23 years

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Mining and Metals 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 targeting to reduce its steel imports as it’s the highest metal by value that is imported to the country
- 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

- Construction industry is expected to increase at a CAGR of 4.3% during the period 2018-2025 and to continue to grow at 2.3% after 2025 which will lead to increased demand for Heavy Sections in KSA
- Demand for Rails from Saudi Arabian Railways (SAR) will increase at a CAGR of 1.55% due to expansion of railway lines and multiple new developments connecting central region to eastern and northern regions
- The Ras Al-Khair Industrial City shipyard will require approximately 60 ktpa of special shipbuilding steel profiles including bulb flats, T sections, L sections, flats and rods among others from 2021 onwards (start of operations)

MARKET OVERVIEW

GLOBAL TRENDS

- The steel demand is expected to reach 1,717 Mt in 2021, an increase of 3.8% over 2020 which witnessed a decline due to COVID-19 crisis
- In 2021, the steel demand from developed countries is expected to recover by 7.8% after the decline in 2020
- In the developing countries (except China), the steel demand is expected to have a substantial recovery of 9.2% in 2021 after a sharp decline in 2020
- The global rail profiles demand was \$660 million in 2018, and it is expected to grow at CAGR of 4.3% from 2019-2025 to reach \$890 million



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Raw material (liquid steel) can be obtained from the integrated steelmaking plant (pelletizing DRI Steelmaking) that will be developed in Ras Al-Khair Industrial City
- DRI can also be sourced locally from multiple suppliers, KSA currently has a capacity to produce 8 mtpa
- Marine profiles and heavy profiles can be fabricated in Ras Al-Khair Industrial City

IMPORT DEPENDENCY

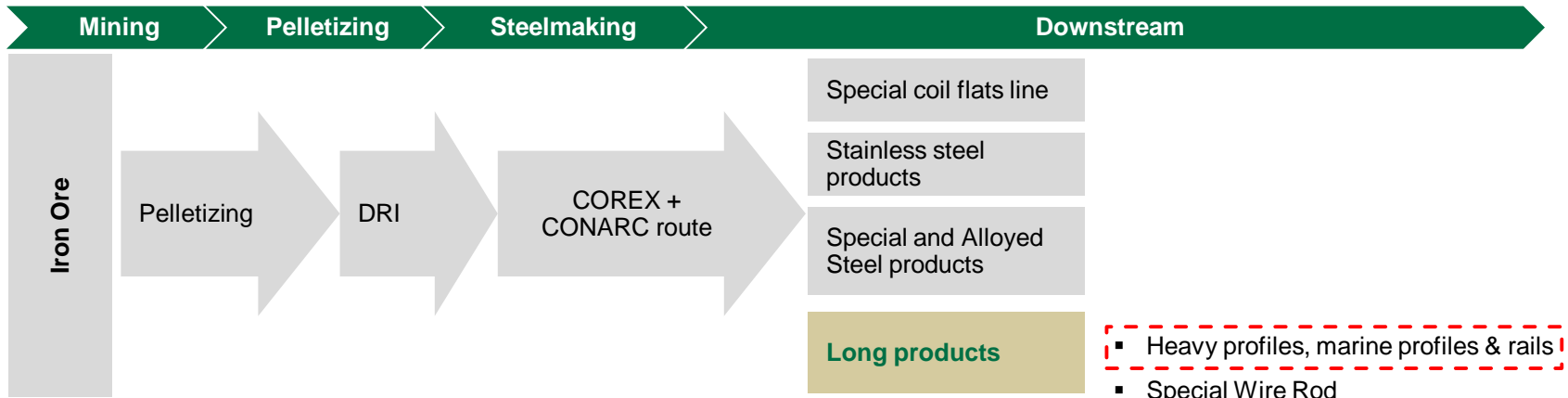
- 100% of the current demand for heavy profiles, marine profiles & rails is met through imports
- In 2019, 700 Ktpa of Heavy Sections and 385 Ktpa of Rails were imported

ENABLING FACTORS

ENABLERS

- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF)
- 2-year grace period for the repayment of loans
- HRDF covers monthly salaries for 30-50% of Saudi employees (extra 10% for females) for 2 years, provided it does not exceed USD 4,000

VALUE CHAIN ANALYSIS



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

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

CONNECT WITH US FOR MORE DETAILS:

Metals@misa.gov.sa

investsaudi.sa



@investsaudi

