

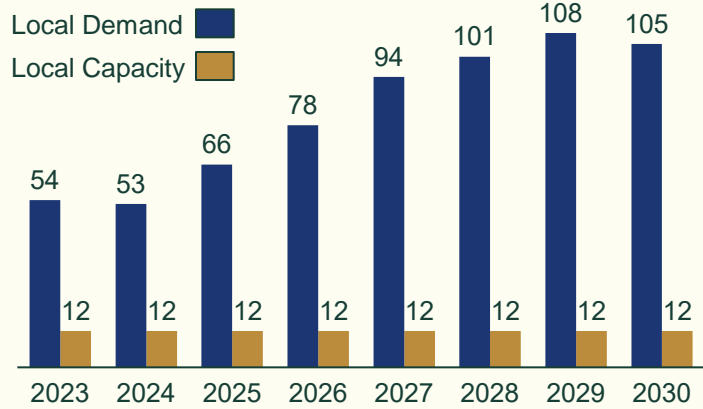
# Drilling Mud

**Opportunity Description:** To set up a Drilling Mud manufacturing facility to serve the local and regional demand

# Drilling Mud – Opportunity Card (1/2)

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## KSA Market Size in Killo Ton



## Investment Highlights<sub>1</sub>

- Expected Investment: **~\$160 Mn**
- Expected Plant Capacity: **~16,000 Ton**
- Expected Project IRR: **~5.4%**
- Expected Equity IRR: **~4.7%**
- Payback Period: **~22 years**
- Expected GDP Impact till 2030: **~\$93 Mn**

## Major Assumption

Drilling Mud Price	<b>~\$4,067 / Ton</b>
Debt	<b>70%</b>
Interest rate	<b>7%</b>

## Raw Materials

- Water
- Clay minerals
- Weighting agents
- Fluid loss control additives
- Viscosifiers

## Energy Sector Demand Drivers

- Saudi Aramco expanding its crude oil production capacity to 13 million barrels per day (MMB/D) by 2027
- KSA aiming to increase the Petrochemical production from 38 to 70 M tons annually
- The Jafurah onshore gas field is considered one of the largest unconventional gas fields worldwide and is driving the demand for drilling mud in KSA
- KSA targets increasing their Natural Gas production by 40%

## Other Sectors Demand Drivers

- The demand drivers for Drilling Mud are solely influenced by the energy sector

## Value Proposition

- KSA is the world largest exporter of Crude Oil and 2nd largest producer
- KSA is well positioned to play a leading role and become a major clean Hydrogen exporter which will drive the demand on natural gas
- KSA has the 6th largest natural gas reserve of 329 Tn Cubic ft
- The recent discovery of 8 gas fields, 3 of which are unconventional

## Drilling Mud – Opportunity Card (2/2)

### Import Dependency

- In **2021**, Saudi Arabia imported **\$217M** in Chemical products, mixtures and preparations<sub>1</sub>
- Saudi Arabia imports Chemical products, mixtures and preparations primarily from: **China (\$50.2M)**, **Germany (\$34.1M)**, and **United States (\$23.9M)**<sub>1</sub>

### Localization Potential

Baseline	Target	Contribution*
<b>22%</b>	<b>75%</b>	<b>17%</b>

### Scalability

- The business can expand its geographic reach by targeting new markets in the middle east region
- The business can expand its product line to offer a wider range of Drilling Mud of varying types

### Enablers and Incentives

No enablers are taken into consideration in the financial estimation for this opportunity, but the opportunity is subject to off the shelf's incentives like:

- **SIDF financing up to 75% of CAPEX**
- **HRDF covers monthly salaries of up to 3,000 SAR / employee for Saudi employees**
- **Tax credits for R&D for manufacturers**
- **Custom duty exemption for import of capital goods/machinery** required for setup of facility

### Major Local and International Manufacturers

- Local Manufacturers: Drilling Fluid Factory, Gumpro Drilling Fluids
- International Manufacturers: Schlumberger, Baker Hughes, NOV

### Key Stakeholders



### Value Chain

