

# Feasibility Study Preparation Guideline



## Introductory

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Industrial investment differs from other investments in commercial and service sectors, as it requires more time for planning and study, and involves higher risks. However, it can yield substantial returns and opportunities for long-term growth. Its developmental impact is also more comprehensive and contributes greater added value to the national economy. Therefore, it is essential to have a genuine desire to engage in industrial investment, motivated by conviction and thorough study of the feasibility of this investment, and a desire for development and growth to achieve the desired objectives, rather than mere imitation or emulation.

Pursuing industrial investment requires sound financial capabilities from the project owner, as the project needs financial support, especially in the early years of operation, to cover working capital needs before the project starts generating operating profits. At this stage, the investor undertakes two essential steps:

1. Preliminary study of available investment opportunities:
  - Identifying the right investment opportunity that can result in a viable investment and arriving at an investment idea in the industry that aligns with the investor's aspirations and capabilities, requires some effort in gathering and scrutinizing industrial ideas.
  
2. Preliminary study of each opportunity to select the most feasible one:
  - After identifying one or more alternative ideas, a brief preliminary study of each should be conducted to extract comparative indicators, identify the most feasible and suitable one as a real investment opportunity, and verify the presence of success factors and confirm the investment direction.
  - This should consider factors such as the size of demand for certain products, the status of local manufacturing and foreign imports.
  - The attractiveness of an industrial opportunity depends on four main factors:
    - a. The scale of investment and the investor's financial capabilities.
    - b. Availability of sufficient demand and study of the minimum required production capacity to achieve reasonable returns.
    - c. Ease of access to production technologies and the need for a foreign partner or knowledge transfer.
    - d. Existence of previous commercial or industrial experience with the products, facilitating their marketing.

When preparing the economic feasibility study, the following should be observed:



## Introduction

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### 1. Project Description

In the beginning of the feasibility study give a general description of the project, its scope, main elements, target and the rationale behind it. For expansion projects, provide a clear description of the relationship between the existing project and the expansion especially in terms of the buildings, machinery, products and production capacity. In brief this general description is a summary of the details and findings of the feasibility study's marketing, technical and financial aspects.

### 2. Organization Structure

Provide a clear description of the organization structure including a description for each executive and senior technical position. In case any position is filled, kindly provide their CVs. Show the project's plan for recruiting Saudis to the project for technical, marketing, financial or administration positions.

### 3. Project Implementation Plan

A detailed time schedule for implementing the project from start to the commercial production.

## Market Study

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Note that all information required in this section should be applied to each targeted market separately whether local, GCC or international (export).

### 1. Product

A full, clear description of product or products including size (or sizes), packaging as sold to customer and packing for wholesale distribution (if applicable), number of units in package, brand/trade name and uses, plus a brief description of the raw materials. If the product is not manufactured entirely, specify the parts that will be bought ready-made. Determine if the products are entirely new or similar to existing products in the market. Identify any Saudi or international standards that the product must comply with and provide their details.

If more than one product is to be sold, details of the product mix planned (including any changes in mix foreseen during the project life). State the proposed production program, year by year (for the first 5 years).

Samples, catalogues and/or photographs of the product(s), if available, should be provided. Detail the standards and specifications applicable in the target market(s) and state to which standard the product(s) will be made.

Products, Targeted Markets and Description			
Product	Brand Name	Application & Uses	Types & Sizes

### 2. Supply

Provide details of current sources of supply of the proposed products to the Saudi market (and other markets, if exports intended) i.e., companies both manufacturing in Saudi Arabia and exporting countries. Capacity of supplying companies, their product range and estimated market share. Include names, addresses, telephone, and fax numbers of local manufacturers and agents/distributors.

### 3. Demand

Demand in any one year is generally assumed to be summation of sales from local supply plus imports less exports (or re-exports). Where possible for historical demand, supporting evidence from recognized sources, e.g., Foreign Trade Statistics and OECD Export Statistics, should be included. State the sales history of the project and/or the foreign partner (if there is one). Sales in the Kingdom and other markets are to be covered if exports are envisaged. If other methodologies are used to establish demand, these should be fully explained.

The history of demand over the previous five years, where possible broken down by the major regions of the Kingdom should be provided. Should sales be planned only in part of the Kingdom, then these particular areas should be covered together with the national picture. If there are different market and/or customer segments for the product e.g., retail and catering institutions. The percentage market breakdown should be included. Where relevant, similar data on export markets is required.

The future market size over the period covered by the feasibility study should be estimated, including market segmentation. The methods and assumptions underlying these estimates are to be explained (often more than one methodology can be justified in establishing future demand).

### 4. Marketing Strategy

A brief statement of the sponsors rationale for the project including definition of target markets, perceived strengths, and principal competitive advantages. Explain the sponsor's experience in this business or any related activities.

### 5. Pricing

Prevailing market prices per product/package in the Kingdom (and other markets where appropriate) and by main regions/cities if relevant. Ex-plant prices for locally manufactured and CIF prices for imports. Where applicable, retail and wholesale prices should also be provided.

Provide the proposed prices and pricing strategy along with details of distributor, wholesaler and retailer prices as well as margin structure plus the project historical prices if already selling in the targeted market.

Market Price Range and prices by targeted segments/export prices:		
Product	Market Average Price Range/Unit (SR)	Export Price/Unit (SR)

Proposed and historical selling price:				
Product	Historical Selling Price (SR)/Unit (if any)			Proposed Selling Price (SR)/Unit
	2021	2022	2023	

### 6. Projected Sales & Market Share

In the light of the estimated market size, show the projected annual sales volumes until the project reaches its full, installed achievable capacity or licensed capacity. Also show the projects estimated market share on a year by year (segmented, if applicable, by product and/or product group; units and value, customer/market segment and region).

Future sales forecasts for the project per unit by local and export (if any)											
Product	Unit of Measurement	Year 1		Year 2		Year 3		Year 4		Year 5	
		Local	Export	Local	Export	Local	Export	Local	Export	Local	Export

For expansion projects, provide details on the historical sales.

Historical Performance – Subject Project by local and export (if any)												
Product	Unit of Measurement	Market	2020		2021		2022		2023		Up to date	
			Value (SR)	Volume	Value (SR)	Volume	Value (SR)	Volume	Value (SR)	Volume	Value (SR)	Volume
		Local										
		Export										
		Local										
		Export										

If the sponsor has other related businesses, provide details on the historical sales.

Historical Performance – Other Related Businesses											
Product	Unit of Measurement	2020		2021		2022		2023		Up to date	
		Value (SR)	Volume	Value (SR)	Volume	Value (SR)	Volume	Value (SR)	Volume	Value (SR)	Volume

## 7. Competition

Provide an overview on the internal/external competition to the project, e.g., competitive brands, their price range & market share. Describe how will competition affect the ability of the project to achieve the estimated market share, as well as the strengths and weaknesses of individual competitors.

A list of direct competitors (factories, importers, and traders) in the Kingdom: If possible, provide their contact info (person name, phone number).

## 8. Segments & Channels

Describe how will the product(s) from the factory reach the ultimate consumer and through which distribution channels and how do these compare with those used by competitors. Provide an overview on the transportation methods, storage facilities and warehousing will be used.

Future sales channels of the project's products (i.e., Retail, Wholesale ..etc.) Distribution and sales strategy force of the factory:	
Element	#
Number of Trucks	
Number of Salesperson	
Number of Showrooms (if any)	
Average Annual Spending on Marketing Activities (SR/Year)	

## 9. Sales Promotion/Marketing Support

Detailed plans for advertising and other sales promotion activities both to the trade channels and consumer/end-users. Planned budgets and percentage of these to estimated, broken down by type of media to be used. Rationale for the proposed plans and projected expenditure. Information to be provided on plans/budget for the company product launch.

## 10. Marketing Agreements

Copies should be provided of any marketing agreements (including Agency, Representation, Trademark, Distribution etc., agreements) which may exist or in draft whether these be with local companies or foreign partners. Indicate the marketing input from such partners.

# Technical Study

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## 1. Manufacturing Process

Describe the project's products / services (i.e. logistics, ...etc.) and elaborate on the manufacturing process for each of the product / service (i.e. logistics, ...etc.), clarifying the type and quantity of machines that will be used on this process as well as the manpower (provide flow diagram if possible).

## 2. Installed Capacity

Show detailed calculations of this capacity and the basis on which it was built (e.g. for the production of 1,000 small units of product (A) and 100 large units of product (A) a year). The capacity of each piece of machinery should be specified. The proposed hours per day and days per year must be provided in relation to these quantities.

Installed Capacity				
Product	Production rate/ Unit per hour	Hours per day	Number of days per year	Annual production capacity
<b>Total Capacity</b>				

For expansion projects, provide details on the existing capacity calculation for each product (based on existing machinery) mentioning the needed normal working pattern for this product/industry. In addition, provide a brief overview of the historical production over the last five years.

Existing Installed Capacity				
Existing products	Existing production rate/ Unit per hour	Hours per day	Number of days per year	Existing annual production capacity
<b>Total Capacity</b>				

### 3. Machinery and Equipment

Provide a complete detailed list of machinery and equipment with adequate spare parts as well as any auxiliary equipment, generators, laboratory equipment etc.

Machinery & Equipment				
Equipment Name	Supplier Name & Origin	Quantity	Unit Cost (SR)	Total Cost (SR)
<b>Grand Total (SR)</b>				

For expansion projects, provide a complete detailed list of the existing machinery and equipment with any auxiliary equipment, generators, laboratory equipment etc.

Existing Machinery & Equipment		
Existing Equipment Name	Supplier Name & Origin	Quantity

### 4. Building and Civil Works

Provide a comprehensive description of the buildings and civil works required for the project. This should include details on the build-up area and type of buildings needed, such as main building, warehouses, offices, or other relevant structures.

Describe the dimensions and layout of each building, including floor plans, number of floors (if applicable) and total area.

Built-up Area	
Building	Area (m <sup>2</sup> )
Main Building	
Warehouses	
External auxiliary rooms (Guard and electricity rooms)	
.....	

Specify any specialized requirements for the buildings, such as temperature control, ventilation, or safety features as well as the construction materials and techniques that will be employed, highlighting any specific considerations or unique aspects of the buildings. Include information on the structural design, foundation requirements, and any necessary permits or approvals needed for construction.

Building and Civil Works	
Item	Cost
General location (site leveling, fences, ground tanks, ... Etc.)	
Main Building	
Warehouses	
External auxiliary rooms (Guard and electricity rooms)	
<b>Total Building and Civil Works Cost (SR)</b>	

## 5. Safety Equipment

Provide a comprehensive description and assessment of the anticipated risks, hazards and environmental impact associated with the project. Mention any required health, safety and environmental requirements along with their associated cost as well as the Safety Equipment required for the project.

## 6. Vehicles

Provide a list of all of the required transport vehicles including distribution and delivery trucks, employee cars, staff buses, forklifts, etc., and explain the need for such vehicles.

## 7. Furniture & IT Equipment

List the project needs of office furniture and IT equipment including software, computers, telephone system, etc.

## 8. Know-How, Technology, Technical Assistance or Licensing Agreements (if applicable)

If the project requires any sort of technical or licensing agreement between the sponsor and another company, please describe the scope of such agreement, involved parties and any associated costs.

## 9. Pre-Operating Expenses

Mention any pre-operating expenses such as but not limited to payments to architects, consulting engineers and designers, legal expenses and other professional services required. Fees for feasibility studies should also be provided. Estimates of all other expenses prior to the project operation should be included, such as salaries, visits abroad for purchase of equipment, raw materials used for trial runs, etc.

## 10. Manpower

List of the needed manpower at full capacity, showing headcounts and positions as per the following table including their benefits, fees, training, Saudization plan (if any) ...etc.

Manpower			
Type / Position	No. of employees	Monthly salaries (SR)	Total salary (SR)
Direct Manpower			
In-direct Manpower			
<b>Total</b>			

## 11. Raw Materials

Provide details on raw & packaging material consumption per unit for each proposed product (i.e. the amount and cost of raw & packaging material to produce one unit of each type of product) and their sourcing plan. This information to be submitted as per the following table:

Raw Materials Cost for Product (A)*				
Raw material	The amount of raw material in unit / 1 unit product produced	Cost of raw material / unit (SR/unit)	Total Cost (SR)	Source (Local or imported)
1				
2				
3				
<b>Total (SR)</b>				

\*Repeat this table for each product.

## 12. Utilities

Provide an overview of the types of utilities needed for the project, their sourcing plan, consumption, and associated cost per year.

## Financial Study

### 1. Total Capital Cost

Provide an overview on the total Capital Cost required for the project.

Capital Cost	
Capital Items	Cost
Land (if it's owned)	
Machinery and Equipment	
Building and Civil Works	
Safety Equipment	
Vehicles	
Furniture & IT Equipment	
Know-How, Technology, Technical Assistance or Licensing Agreements	
Pre-Operating Expenses	
<b>Total Project Cost (SR)</b>	

### 2. Total Operating Cost

Provide an overview on the total Operating Cost for the first 5 years of production, including but not limited to the following elements:

Operating Cost					
Operating Cost Items	Year 1	Year 2	Year 3	Year 4	Year 5
Land Rent					
Raw Materials					
Manpower					
Utilities					
Maintenance					
Depreciation					
Amortization					
.....					
<b>Total Operating Cost (SR)</b>					

### 3. Financial Model

Provide a Microsoft excel file containing the projected revenues of the project based on market analysis, pricing strategies, and sales volume projections. Calculate the cost of production including raw materials, labors, utilities, and indirect cost. Prepare a projected:

- A. Profit and loss statement also known as an income statement, which summarizes the revenues, expenses, and profitability of the project over a specific period.
- B. Capital structure including any loans from other financial institutions to cover the project capital cost, a balance sheet, and a breakdown of the liquidity plan (detailed are mentioned below in section 6 and 6d), explaining the liquidity sources of the project with respect to the proposed implementation plan.
- C. Develop cash flow projections: that outline the expected inflows and outflows of cash over the projected period (showing the loans repayments of the project).
- D. Return on investment: by comparing the projected profits with the initial investment.
- E. Payback period.
- F. Net present value (NPV),
- G. Internal rate of return (IRR).
- H. Other financial metrics to evaluate the project's profitability and financial attractiveness.

### 4. Sensitivity Analysis and Risk Assessment

Perform sensitivity analysis to assess the project's financial viability under different scenarios or variations in key assumptions. Identify the critical variables that could significantly impact the project's financial performance and evaluate their potential effects. Identify and evaluate the financial risks associated with the project, such as market risks, operational risks, regulatory risks, and financial risks. Develop risk mitigation strategies to minimize potential adverse impacts on the project's financial performance.

### 5. Financing Plan

Outline the proposed financing structure for the project, including equity investment, loans (Including SIDF loan), grants, or other sources of funding. Present the repayment terms, interest rates, and repayment schedule for any borrowed capital.

Source of Liquidity								
SAR	Proposed Year 1				Proposed Year 2			
Quarter	1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q
Paid in Capital								
SIDF Loan								
Commercial Loan								
Subordinated Shareholder loan								
Other (please define)								
<b>Source of Liquidity</b>								
<b>Proposed financing structure:</b>								
Funding Source	Percentage (%)				Amount			
Paid in Capital								
SIDF Loan								
Commercial Bank Loan								
Others								
<b>Total (SR)</b>								

## 6. Liquidity Plan

Outline the liquidity sources for the project with respect to the proposed implementation plan, specify any liquidity provided by the owners with supporting documents.