A

GLOBAL COUNTRY REPORT
ON

“Overview Of Different Economic Sectors Of Saudi Arabia”

&

“Specific Study Of Oil And Steel Industry”

Submitted to:

Dr. D.Y PATIL INSTITUTE OF MANAGEMENT & RESERCH CENTER

In partial fulfillment of the Requirement of

the award for the degree of Master of

Business Administration

In

Gujarat Technological University

[Batch: 2011-13] MBA

SEMESTER – 4

MBA PROGRAMME

Affiliated to Gujarat Technological University

Ahmadabad

2011-2013

Executive Summary

As a part of MBA curriculum, We have prepared a global county report on Saudi Arabia. Where we have searched for various business opportunities after deep understanding and and analysis of various factor affecting business in Saudi Arabia, specific study of oil and steel industry.

Saudi oil reserves are the second largest in the world, and Saudi Arabia is the world's leading oil producer and exporter. Oil accounts for more than 90% of the country's exports and nearly 75% of government revenues.

More than 95% of all Saudi oil is produced on behalf of the Saudi Government by the parastatalgaint Saudi Aramco, and the remaining 5% by similar parastatal companies as of 2002. In June 1993, Saudi Aramco absorbed the state marketing and refining company, becoming the world's largest fully integrated oil company. Most Saudi oil significant invests exports more by tanker from oil terminals at RasTanura and Ju'aymah in the Persian Gulf.

"Saudi Arabia Steel Industry Forecast to 2013' Economic growth has also contributed substantially to raise domestic steel consumption by accelerating business activities. In fact, the impact of economic slowdown on the real estate projects was minimal. Out of the total real estate projects worth US$ 543 Billion, mere 4% have been cancelled or delayed. Hence, all these factors have fuelled the consumption of iron and steel in the Kingdom to reach around 14.8 Million Metric Tons in 2009 and will boost to over 26 million tonnes by 2015. The steel consumption in the Kingdom will grow 14% CAGR during 2012-2015.

Saudi Arabia's major part infullence of oil and steel industry:-

Saudi Arabia is the world's most important oil producer. Given its relatively high production level, accounting for nearly 13 percent of world output and 35 percent of total OPEC output in 1991. Export oil revenues accruing to Saudi Aramco, a large portion of which is allocated to the budget, accounted for 90 percent of total exports in 1991. Only in the number of jobs was the oil sector relatively unimportant to the economy**.**

The Indian Business delegation is also visit to many exhibitions which were arranged in Saudi Arabia for expanding their business. An eight member delegation from the Chemicals and Allied Product Export Promotion Council of India (CAPEXIL) visited Riyadh from 28-30 January,2011 to hold Buyer-Seller Meet(BSM)with the Saudi businessmen. The BSM was held on 29th January, 2011.

Saudi Arabia has maintain a trade surplus since 1967 (when it trade statistics were first compiled in their current form).As the kingdom gates majority of its revenue from petroleum exports the Surplus tends to rise and fall with the price and production of oil. After the oil embargo of 1973, when oil prices were high, the kingdoms trade surplus rose, increasing steadily until 1978.This trend continue after the Iranian revolution of 1979 when oil prices rose to new levels. Between 1978 and 1981 Saudi Arabia's trade surplus doubled, reaching a peak of US$82.5 billion.Saudi Arabia consumes 3.4225 gallons of oil per day per capital while India consumes 0.0956.

finding out between Saudi to India import and export Licenses procedure for establishing oil and steel industry. For tacking permission from Saudi to India various document required like Commercial invoice, Certificate of origin, A bill of lading (or airway bill), A steamship (or airline) company certificate, An insurance certificate (if goods are insured by the exporter), Packing list. Researchers also find taxation policy for Saudi to India.

Researchers are find out between India to Saudi import and export licenses and permits are required for registrations such as registrations for PAN, VAT, TAN, ESI, PF etc. business permission for India to Saudi require various documents like shipping document, bills of leading, insurance certificate. Taxes are annual taxes payable on the income of a body corporate operating in India.

It is concluded that sizes of the organization significantly influences the marketing behavior of exporters and experience of the organization affect the marketing behavior within certain size stages beyond that it has insignificant influence. Further the size and experience of the organization into three different stages, viz., medium-sized exporters, experienced small exporters and less experienced small exporters. The three stages of exporters and characteristics profile are Medium – Sized exporters, who are more experienced, export to more number of countries and visit foreign countries frequently. Further this group of exporters perceives marketing variables as more important, less problematic and better competitive advantage.

With regard to marketing orientation, this group of exporters collect more information, plan their activities better, improve the products considerably, charge different prices for different buyers in the same market and also different market, use advertising, participate in fair inside and outside of the country and conduct the overseas business through overseas branch of ice as well as foreign dealers / distributors.

INTRODUCTION

OIL INDUSTRIES IN SAUDI AREBIA:

BEFORE THE DISCOVERY OF OIL INTRODUCTION

On January 15,1902, ‘Abd-al-Aziz ibn ‘Abd al-Rahman Al Sa’ud took Riyadh from the Rashid tribe. In 1913, his forces captured the province of al-Hasa, from the Ottoman Turks. In 1922 he completed his conquest of the Nejd, and in 1925 he conquered the Hijiaz. In 1932, the Kingdom of Saudi Arabia was proclaimed with ‘Abd-al-Aziz as king. Without stability in the region, the search for oil would have been difficult, as evidenced by early oil exploration in neighbouring countries such as Yemen and Oman.

THE DISCOVERY OF OIL

SOCAL set up a subsidiary company, the California Arabian Standard Oil Company to develop the oil concession. SOCAL also joined force with the Texas Oil company when together they formed CALTEX in 1936 to take advantage of the latter’s formidable marketing network in Africa and Asia.

CHANGES TO THE ORIGINAL CONCESSION

In 1943,the name of the company in control in Saudi Arabia was changed to Arabian American Oil Company. In addition, numerous changes were made to the original concession after the striking of oil. In 1939, the first modification gave the Arabian American Oil Company a greater area to search for oil and extended the concession until 1999, increasing the original deal by six years. In return, ARAMCO agreed to provide the Saudi Arabian government with large amounts of free kerosene and gasoline, and to pay higher payments than originally stipulated.

Beginning in 1950, the Saudi Arabian government began a pattern of trying to increase government shares of revenue from oil production. In 1950, a “fifty-fifty profit- sharing agreement was signed, whereby a tax was levied by the government. This trend well into the ‘80s. By 1982, ARAMCO’s concession area was reduced to 220000 square kilometres, down from Saudi Arabia and became known as “Saudi Aramco”.

RESENT POSITION OF OIL INDUSTRY:

Saudi Arabia is the world's most important oil producer. Given its relatively high production levels, accounting for nearly 13 percent of world output and 35 percent of total OPEC output in 1991, and, more significantly, its small domestic needs, the kingdom's dominance of international crude oil markets is unchallenged. Although reluctant to play the role, Saudi Arabia has become the "swing producer," balancing international oil demand and supply. Therefore, within limits, Saudi oil production policies can have a profound impact on international prices, usually to further its objectives of sustaining long-term oil consumption and ensuring economic stability in the industrialized world.

The oil sector is the key domestic production sector; oil revenues constituted 73 percent of total budgetary revenues in 1991. Precise statistics for expenditures on sector development were not available but some estimates placed the annual figure at US$5 billion to US$7 billion, or less than 10 percent of total exports in 1991. Only in the number of jobs was the oil sector relatively unimportant to the economy; the capital-intensive nature of the oil industry required few workers-less than 2 percent of the labour force in the early 1990s.

OIL INDUSTRY:

Saudi oil reserves are the second largest in the world, and Saudi Arabia is the world's leading oil producer and exporter. Oil accounts for more than 90% of the country's exports and nearly 75% of government revenues. Proven reserves, according to figures provide move by tanker from he by the Saudi Government, are estimated to be 260 billion barrels, about one-quarter of world oil reserves.

More than 95% of all Saudi oil is produced on behalf of the Saudi Government by the parastatalgaint Saudi Aramco, and the remaining 5% by similar parastatal companies as of 2002. In June 1993, Saudi Aramco absorbed the state marketing and refining company, becoming the world's largest fully integrated oil company. Most Saudi oil significantinvest exports more by tanker from oil terminals at RasTanura and Ju'aymah in the Persian Gulf. The remaining oil exports are transported via the east-west pipeline across the kingdom of m to by the Red Sea port of Yanbu. A major new gas initiative promise to bring significant investment U.S. the European oil companies to develop nonassociated gas fields in the three separate parts of Saudi Arabia. Following final technical agreements with concession awardees in December 2001, development should begin in 2002.

However, beginning in late 1997, Saudi Arabia again faced the challenge of low oil prices. Due to a combination of factors-the East Asian economic crises, a warm winter in the West caused by El Nino, and an increase in non-OPEC oil production – demand for oil slowed and pulled oil prices down by the more than one-third.

Saudi Arabia was a key player in coordinating the successful 1999 campaign of OPEC and other oil-producing countries to raise the price of oil to its highest level since the Gulf War by managing production and supply of petroleum. That same year, Saudi Arabia established the Supreme Economic Council to formulate and better coordinate economic development policies in order to accelerate institutional and industrial reform.

STEEL INDUSTRIES IN SAUDI AREBIA

The Kingdom of Saudi Arabia has become one of the favourite destinations for the steel majors due to thriving construction sector, and soaring steel demand; Over the past few years, the rapid economic development has led to skyrocketing growth in the construction and infrastructure industry, booming investment in real estate and cheap & reliable gas/energy supply which has boosted steel demand in the country and caught the attention of global steel giants.

With the industry's immense growth potential, according to "Saudi Arabia Steel Industry Forecast to 2013' Economic growth has also contributed substantially to raise domestic steel consumption by accelerating business activities. In fact, the impact of economic slowdown on the real estate projects was minimal. Out of the total real estate projects worth US$ 543 Billion, mere 4% have been cancelled or delayed. Hence, all these factors have fuelled the consumption of iron and steel in the Kingdom to reach around 14.8 Million Metric Tons in 2009 and will boost to over 26 million tonnes by 2015. The steel consumption in the Kingdom will grow 14% CAGR during 2012-2015.

At present, the steel industry in Saudi Arabia is highly import oriented. However, the situation is expected to reverse in future with the escalation of domestic production. The share of imported steel will see a downward trend in coming years as several major capacity expansion plans of manufactures under pipeline.

The factors which will drive growth in Saudi Arabia's steel industry during the forecast period and it will become the fastest steel producing and consuming nation in the Middle East region. The increase real estate projects in different parts of the county are currently the key boosters, and this trend couples with governments initiatives will play a greater role in promoting reforms and increasing competitiveness.

Known for its richness in petroleum resources, Middle East region is now emerging asa strong contender for steel industry as not only government-backed projects but also independents have been heavily investing in the steel capacities that is poised to change the recognition of the region from oil pocket to steel hub in coming years.

THE ROLE OF THE SECTOR IN THE ECONOMIES

OIL INDUSTRIES IN SAUDI AREBIA:

By the end of 2005, the countries of the Arab world held 667 billion barrels of oil reserves and 53 trillion cubic meters (1,870 tcf) of gas reserves, or 56% and 30% of the world's total oil and gas reserves, respectively.

In 2005, the Arab oil exporting countries produced 25 million barrels a day (mbd) of oil and 30 billion cubic feet per day (bcfd) of gas, or 303 billion cubic meters (bcm), thereby accounting for 32% and 12% of the total global oil and gas production, respectively.

With oil exports of 20.5 mbd and gas exports of 100 bcm, the Arab countries were responsible for 43% and 15% of total oil and gas exports, respectively. For the past three decades, the countries of the Arab world have had a higher share of worldwide oil reserves, production and exports than any other group of countries, a fact that explains the relative dominance of the oil sector in the economies of the Arab oil producing countries and consequently of the whole region.

Of the 19 Arab league member states, 14 are producers of oil and gas. The six countries of the Gulf Cooperation Council (GCC)[2] together with Iraq, Algeria and Libya account for 98% of total Arab oil reserves, 95% of gas reserves and 90% of all Arab oil and gas production. In 2004, the oil sector (oil and gas production, processing and refining) contributed between 30 to 60% of the respective gross domestic product (GDP) of those economies, as shown in Table 1.

In 2004, the average share of the oil sector in Arab economies reached 35% This exceptionally high oil sector share in the combined GDPs of the Arab economies reflected the major oil production and price increases recorded that year. That year also witnessed a higher share of the group of major oil producers in total Arab GDP, at 72%.[3] During the period 1990-2004, however, the share of the oil sector in total Arab GDP followed the booms and busts in the global oil market, dipping to a low of 16% in 1998 and peaking at 35% in 2004

There are also differences among the various sub-regions in the size of the GDP and its contribution to overall Arab GDP. During the period 1995-2004, four countries, namely, Saudi Arabia, the United Arab Emirates (UAE), Algeria and Egypt accounted for 60% of the combined GDP of Arab countries.

The Share of the oil Sector in Arab Economies Table - 1

(Nominal) as of 2011

	GDP In $ million	**Oil Sector**	**Share of oil by %**	**Share of Total GDP**
GCC countries	474.5	197.8	42	55.0
Bahrain	11.07	3.13	28	1.3
Kuwait	55.72	26.60	48	6.4
Oman	24.82	10.53	42	2.8
Qatar	28.45	17.68	62	3.3
Saudi Arabia	250.56	105.75	42	28.8
UAE	103.83	34.10	33	11.9
Other Major Oil Production	146.1	80.73	55	16.0
Iraq				
Algeria	33.7	31.32	93	3.9

Libya	84.8	32.18	38	9.7
	27.6	17.23	62	3.2
Other oil Producers	136.9	20.0	15	16.0
Egypt	78.5	9.30	12	9.0
Sudan	22.0	1.81	9	2.5
Syria	23.5	4.85	21	2.7
Yemen	12.9	4.07	32	1.5
Other Countries	112.5	2.25	2	13.0
Djibouti	.66	--	--	--
Jordan	11.50	0.27	2	1.3
Lebanon	19.75	--	--	2.3
Morocco	50.00	0.81	2	5.7
Mauritania	1.35	0.14	10	--
Tunisia	29.25	1.03	3	3.4
Total Arab Countries	**870**	**301**	**35**	**100**

OIL INDUSTRY:

Saudi Arabia is the world's most important oil producer. Given its relatively high production level, accounting for nearly 13 percent of world output and 35 percent of total OPEC output in 1991, and , more significantly, its small domestic needs, the kingdom's dominance of international crude oil markets is unchallenged. Although reluctant to play the role, Saudi Arabia has become the "swing producer," balancing international oil demand and supply. Therefore, within limits, Saudi oil production policies can have a profound international prices. Since the early 1970s, the kingdom has occasionally used this dominance to influence oil prices, usually to further its objectives of sustaining long-term oil consumption and ensuring economic stability in the industrialized world.

The oil sector is the key domestic production sector; oil revenues constituted 73 percent of total budgetary revenues in 1991. Precise statistics for expenditures on sector development were not available but some estimates placed the annual figure at U$$5 billion, or less than 10 percent of total budgetary expenditures. Export oil revenues accruing to Saudi Aramco, a large portion of which is allocated to the budget, accounted for 90 percent of total exports in 1991. Only in the number of jobs was the oil sector relatively unimportant to the economy; the capital-intensive nature of the oil industry required few workers—less than 2 percent of the labour force in the early 1990s.

STEELINDUSTRIES IN SAUDI AREBIA:

Saudi Arabia has become one of the largest steel consumers in the GCC region due to rising steel demand for infrastructure and construction projects. The construction sector in the country is considered as the largest and the fastest growing market in the Gulf region with huge growth potential. Due to rising steel demand, the country has become one of the favourite destinations for the major steel producers across the world.

Further, according to a recent report by RNCON< 'KSA Steel industry Forecast 2015", the steel consumption in Saudi Arabia has witnessed tremendous growth on the back of rising construction activities, growing investment in railway, infrastructure road projects, cheap and reliable energy supply. In future, the apparent steel consumption is anticipated to grow at a CAGR of around 19.5 % during 2012-2015.

As per our research findings, long products account for the major share in production as well as consumption in Saudi Arabia. In long products, rebar steel dominates the total finished steel consumption due to large number of ongoing infrastructure and construction in the country. Our report covers a detailed analysis of rebar production and consumption in Saudi Arabia Besides, it also covers information about long products and tubular products production and consumption detail.

We have also found that steel industry in Saudi Arabia is highly import oriented as more than half of the steel consumption in the country is met through imports. Our report covers a detailed analysis of steel consumption in the country is met through imports. Our report covers a detailed analysis of steel imports in the country including finished steel, semi-finished steel, ingots, long products, flat products and tubular products import. In addition, it also covers information on the major iron and steel exporting countries to Saudi Arabia in which Turkey dominated in terms of iron need steel import while Chine Mainland dominated in exports of articles of iron and steel in 2010.

The report 'KSA steel industry Forecast 2015", by RNCOS covers the prominent steel industry value chain determinants like production, consumption, pricing and key players. It has presented a look at the sector's past, present, and future scenario. We have also studied haw the regulatory environment and initiatives taken by the government are affecting the market. Through the section of steel pricing analysis, we have tried to provide the reasons behind fluctuating pricing trend in the country.

STRUCTURE OF INDUSTRY IN SAUDI ARABIA

OIL INDUSTRIES IN SAUDI AREBIA:

After two decades of organizational change, the reshaping of oil industry in Saudi Arabia reared completion by the late 1980s. During the 1970s and early 1980s, the industry was transformed from one controlled by foreign oil companies (the Aramco parent companies) to one owned and operated by the government. Decisions made directly by the ruling family increasingly became a feature of the industry in the late 1970s. Saudi Arabia's participation in the Arab oil embargo in 1973 and foreign policy goals were featives of this transition. In 1992 the government had title to all mineral resources in the country (except in the former Dividend Zone, where both Kuwait and Saudi Arabia had interests in the national resources of the whole zone). Through the supreme Oil Council, headed by the king, and the Ministry of Petroleum and Mineral Resources the government initiated, funded, and implemented all investment decisions. It also controlled daily operations related to production and pricing.

On a functional level, the industry also underwent significant transformation. By the late 1980s, the major companies established by or taken over from foreign owners by the government were required to produce a particular product. For the most part, only one company controlled a certain industrial subsector, although there was some overlap. In the upstream part of the oil industry, all exploration, development, and production decisions within Saudi Arabia were controlled by Saudi Aramco. It managed the oil fields, pipelines, crude oil export facilities, and the master gas system throughout the country. Through its subsidiary Vela Marine International, Saudi Aramco controlled Saudi Arabia's tanker fleet. Because downstream investments overseas were an integral part of Saudi Arabia's crude oil marketing strategy, these have come under the control of Saudi Aramco. These downstream investments were joint-venture operations with foreign oil refiners. Saudi Aramco also operated the kingdom's largest oil refinery. In 1992 the refinery's output largely conformed to Samarec's specifications. Saudi Aramco was managed by a board of directors headed by the minister of petroleum and minerals resources and a senior management staff headed by a president, with the supreme Oil Council having oversight. Most operational decisions were made by the professional staff except oil output decisions, instructions for which came from the king through the minister.

The downstream subsector of the oil industry was dominated by Samarec. Operated as a wholly government-owned refining and marketing company, Samarec took over Petromin's operation in 1988. Petromin still existed on paper, legally holding title with three foreign oil companies to the export refinery joint ventures at Al Jubayl on the gulf, and Yanbu, and Rabigh on the Red Sea. In addition to managing these refineries, Samarec operated three wholly owned domestic refineries at Riyadh, Jiddah, and Yanbu. Samarec controlled the distribution of refined products within Saudi Arabia and managed the bulk plants, loading terminals, tanker fleet, and product pipelines. All export sales of refined products were also managed by downstream company. During the Persian Gulf War, to augment domestic supplies of jet fuel and other products, Samarec bid for products in the Singapore market. The Petromin board of directors, headed by the minister of petroleum and mineral resources, set Samarec policy but operations were managed by a senior staff.

After the reorganization of Petromin, the government transferred the production and distribution of lubricating oils to two joint ventures with Mobil. Two new companies were established: Petromin Lubricating Oil Company (Petrolube) and Petromin Lubricating Oil Refining Company (Luberef). Luberef operated the kingdom’s single base oil refinery (base oil is a byproduct of the refining process), while Petrolube ran three small lubricating oil blending plants. Three other smaller private sector plants also operated lubricating oil blending facilities.

STEEL INDUSTRY OF SAUDI ARABIA:

: 

Structural steel is the most popular framing material for non-residential buildings in the world. Steel members, commonly referred to as beams and columns, form the skeleton of the building supporting all of the other components of the building.

Steel is the most commonly used construction material in the world today. Its strength-to-weight ratio, durability, elasticity, pliability, eco-friendliness, and plain aesthetic appeal have, in the 100-plus years since its invention, established steel as the integral structural component of virtually every sizable commercial structure in existence. From skyscrapers to bridges, automobiles to ships, pipelines to rocket gantries, the durability and versatility of steel makes these fixtures of modern civilization possible.

Of course, with the advent of steel came the concept of structural steel design. To be properly erected, the geometric configurations of steel structures, the various factors involved in the building of a steel skyscrapers, for instance, must be calculated and refined, often before the steel to be used is even cast. In the progression of a steel structure from idea to erection, a steel structure engineer is among the experts to be enlisted in the building process.

The essential of structural steel design, as opposed to architectural design, is the assurance of the structural integrity of a steel building, bridge, vehicle, tower, etc. structural steel design encompasses familiarity with the different types of steel and steel-based alloys, reliance on formulas depicting stress-resistance and load-bearing factors of, among other things, steel beams, columns, braces, connectors, and hangers, as well as a vast command of geometrical forms and the mathematics of construction. Should any of the design or physical components fail, disaster is the inevitable result. Aesthetic considerations are more directly the provenance of an architect, and have no bearing on the proper performance of the steel skeleton of a structure.

Structure steel design has evolved from concentrating solely on the rigidity that steel can and does provide a structure, to the advantages that steel provides in structural flexibility, allowing a structure to better resist the stresses of nature, and man. Interestingly, the major impetus for this evolution in structural steel design was earthquakes. The preliminary design of multi-story steel structures and lengthy steel spans is ordinarily predicated first on how effectively the structure will withstand a major earthquake. Wind resistance is also a major factor in the design and construction of tall steel structure, as is terrorism.

FUNCTION OF INDUSTRY IN SAUDI ARABIA

OIL INDUSTRIES

Human Resources

There are three types of human resources initiatives that will be undertaken. The first relates to filling current shortages by attracting foreign researchers. The second aims to attract local manpower over the medium term. The final type of initiative aims to improve educational opportunities for future researchers. Individual initiatives are listed by type below.

1. Compensating current shortages in research staff by attracting outstanding foreign researchers by: Providing an attractive research environment and financial motivations. Exploiting the conservative environment of the kingdom to attract regional researchers. Supporting academic programs and accepting foreign students in graduate studies. Proposing amendments to immigration and recruitment laws to eliminate any obstacles to attracting foreign researchers.
2. Attracting local manpower to oil and gas R&D activities by: arranging educatory programs for talented students.

Finance

There are two kinds of financial initiatives that will be undertaken. First, there are those that deal with how existing money is spent. Second, are those that deal with securing future funds?

Efficiently Using Existing Funds

Initiatives that deal with how existing money is distributed include: Utilizing current assigned budget in developing infrastructure (buildings, strategic priorities for oil and gas technology program laboratories, equipments, academic chairs....etc).

Utilizing current assigned budget in the quantitative and qualitative development of human resources through recruitment, financial motivations, fellowships for students and researchers, and supporting training and qualification programs for the R&D staff.

Supporting and funding activities that assist R&D activities (data bases, periodical meetings, workshops, societies...etc).

Securing Future Funds

Initiative that deal with securing future funds include: Proposing allocating part of foreign investments taxes in oil and gas industry to national R&D activities in the same field. Enhancing financial returns from studies and consultation that are provided to beneficiaries. Proposing a way to benefit from private grants and donations. Encouraging national mega companies that could benefit from R&D in oil and gas to take part in funding these activities. Securing continuous governmental funding

Infrastructure

This initiative will develop the KSA R&D infrastructure to support the strategic objectives by: initiating new outstanding academic programs and developing current available ones (graduate and under-graduate programs). Establishing centres of excellence in universities and research institutes. Starting and developing advanced specialized laboratories. Constructingan organizational structure that will manage and guide R&D operations on the national level. Developing a national database for oil and gas exploration and production technical data to support R&D activities.

STEEL INDUSTRIES

Research and Development

It help the strategic drive of the organization,the Research and development(R & D) development uses the latest research methods and engineering techniques to ensure the following:

Identify and develop new business through conducing market research, demand forecasts and customer surveys for new business/products (up/down stream integration) in line with vision and long term strategies of ZIIC. Provide necessary information for preparing full fledge economic facilities studies.

Enhance current business by:

Facilates technology upgradeation by indentifying industry bench marks in manufacturing efficiencies and mapping ZSI practices against the bench marks.

Identifying the gaps and prioritize areas of immediate improvement. Process reengineering is used to align zamil steel industry practices with industry best performances.

Improve current process by identifying process capabilities and aligning support system to match the process capabilities.

Closely coordinating with the industrial engineering department to ensure the following are successfully and continuously conducted and implemented

Facilitate methods improvement studies assist in identifying better methods through critical analysis and brainstorming for all the critical operations/processes with an overall objective of improving the productivity of all the resources.

Facilitate line balancing exercises this is done to identify shop floor bottlenecks and make recommendations for addition of machines and/or manpower to balance the line as and when needed.

Manufacturing

At Zamil steel,we continually strive to find the latest method,technology and machines to ensure the highest level of productivity,quality and timely delivery.we continually upgrade and invest in new equipment to ensure customer satisfaction.

Planning

All aspects of our business from purchasing to shipment are monitored and controlled through our Oracle ERP system.Our experienced Production Planning team ensures the customer requirements and Project schedule are met.

Fabrication

Highly qualified fitters and welders certified to AWS/ASME are employed for all our wprk.Experienced Foremen,Engineers and Supervisors supervise all production activities.

Preparation

We have expanded our preparation facilities and invested in the latest equipments and technology to ensure quality and accuracy of beams,angles and plates preparation.

Blasting/Painting

The latest Gietart,Pangborn and state of the art Blast rooms ensure meeting the highest cleanliness quality of all profiles.

Shipment

The unique Zamil steel tracking report allows customer to track their materials status all times even from their offices.

Material Planning

The material planning stage after the project has been awarded to SSD(through the Materials Planning and Control Group)The Department is responsible for the planning and management of the supply chain process with regards to both raw materials and fasteners, in addition to others specials buyouts. This is done through the Materials Planning and Control Group and include the following major activities:

The close involvement for the and coordination with the purchasing Department with regards to the sourcing process and the selection of optimum suppliers whose delivery dates satisfy the project's requirements.

Zamil Steel/SSD users Oracle ERP(Enterprise Resource Planning)application for the planning,ordering,tacking,receiving, and issuance of materials.

The through tracking of ordered materials for each phauntil the materials are of each project, which in turn is reflected through a weekly released tracking report until the materials are fully received at our shop. This report serves as a powerful tool for the fabrication planning as well as for the phase wise tracking of the materials across different projects.

ACTIVITIES OF INDUSTRY

STEEL INDUSTRIES

Saudi Arabia has become one of the largest steel consumers in the GCC region due to rising steel demand for infrastructure and construction projects. The construction sector in the country is considered as the largest and the fastest growing market in the gulf region with huge growth potential. Due to rising steel demand, the country has become one of the favourite destinations for the major steel producers across the world.

Further, according to a recent report by RNCOS, "KSA steel Industry Forecast 2015", the steel consumption in Saudi Arabia has witnessed tremendous growth on the back of rising construction activities, growing investment in railway, infrastructure and road projects, cheap and reliable energy supply. In future, the apparent steel consumption is anticipated to grow at a CAGR of around 19.5% during 2012-2015.

As per our research findings, long products account for the major share in production as well as consumption in Saudi Arabia. In long products, rebar steel dominates the total finished steel consumption due to large number of ongoing infrastructure and construction projects in the country. Our report covers a detailed analysis of rebar production and consumption in Saudi Arabia. Besides, it also covers information about long products, flat products and tubular products production and consumption detail.

We have also found that steel industry in Saudi Arabia is highly import oriented as more than half of the steel consumption in the country is met through imports. Our report covers a detailed analysis of steel imports in the country including finished steel, semi-finished steel, ingots, long products, flat products and tubular products import. In addition, it also covers information on the major iron and steel exporting countries to Saudi Arabia in which Turkey dominated in terms of iron and steel import while China Mainland dominated in exports of articles of iron and steel in 2010.

The report "KSA steel industry forecast 2015", by RNCOS covers the prominent steel industry value chain determinants like production, pricing and key players. It has presented a look at the sectors past, present and future scenario. We have also studied how the regulatory environment and initiatives taken by the government are affecting the market. Through the section of steel pricing analysis, we have tried to provide the reasons behind fluctuating pricing trend in the country.

INDIA & SAUDI ARABIA OIL IMPORT EXPORT

Bilateral Relation: India – Saudi Arabia

India and Saudi Arabia are old business partners. Our trade relations date back tens of centuries. Today, the bilateral business ties are being steadily expanded and further strengthened by continuous interaction and cooperation, including regular exchange of business delegations. Besides being a major trade partner, India sees the Kingdom as an important economic partner for investments, joint ventures, transfer of technology projects and joint projects in third countries.

Indo-Saudi business relations are growing strongly reflecting the inherent strength and complementary nature of the two economies. The various occasions for high-level dialogue o business matters and regular exchange of delegations have established a sound basis for a constructive, mutually beneficial relationship.

In the recent times, the historic visit of King Abdullah to India in 2006 resulted in signing of "Delhi Declaration" imparting a fresh momentum to the bilateral relationship. The visit provided the framework for cooperation in all fields of mutual interest. The reciprocal visit by Prime Minister Dr. Manmohan Singh to Saudi Arabia in 2010 raised the level of bilateral engagement to "Strategic Partnership" and the "Riyadh Declaration" signed during the visit captured the spirit of enhance cooperation in political, economical, security and defense realms.

Bilateral Trade

Indo-Saudi economic relations have shown remarkable growth with bilateral trade registering three-fold increase in the last five years. Saudi Arabia is the 4th largest trade partner of India and the bilateral trade was USA 36 billion in 2011-12. The import of crude oil by India form a major component of bilateral trade with Saudi Arabia being India's largest supplier of crude oil, accounting for almost one-fifth of its needs. Saudi Arabia is the 14th largest market in the world for Indian export and is destination of more than 1.86% of India's global export. O n the other hand, Saudi Arabia is the source of 6.35% of India's global import. For Saudi Arabia, India is the 5th largest market for its exports, according for 7.80% of its global export. In terms of import by Saudi Arabia, India ranks 6th and is source 4.9% of Saudi Arabia's total imports.

Consume 35.8 Times More Oil

Year(April-March)	Imports from Saudi Arabia	Export to Saudi Arabia	Total Trade
2007-2008	19470	3711	23181
2008-2009	19972	5110	25082
2009-2010	17098	3907	21005
2010-2011	20385.28	4684.40	25069.68
2011-2012	31060.10	5683.29	36743.40
2012-2013(Apr-Sep)	16094.83	4636.29	20731.12

Saudi Arabia consumes 3.4225 gallons of oil per day per capital while India consumes 0.0956.

This entry is the total oil consumed in gallons per day (gal/day) divided by the population. The discrepancy between the amount of oil produced and/or imported and the amount consumed and/or exported is due to omission of stock changes, refinery gains, and other complicating factors.

Non Oil Trade between India Saudi Arabia (in million us $)

Year (April-March)	Imports from Saudi Arabia	Exports to Saudi Arabia	Total Trade
2006-2007	1071.55	2521.57	3593.12
2007-2008	1774.02	3077.09	4851.11
2008-2009	2008.50	3810.95	5819.45
2009-2010	1787.72	2939.34	4727.06
2010-2011	2458.19	4551.64	7009.83

Top items of Exports from India

Main Indian exports include Mineral Fuels, mineral oils and products thereof; cereals; nuclear reactors, boilers; electrical machinery and equipment; Iron and steel; organic chemicals; meat and edible meat offal; articles of Iron or steel; articles of apparel and clothing accessories; etc.

Top items of Imports by India

India's major imports from Saudi Arabia are Mineral Fuels, mineral oils and its products, organic chemicals**,** plastic and its articles, inorganic chemicals, fertilizers, aluminum and its articles, iron and steel, copper and its articles, miscellaneous chemical products, row hides and skins(other than fur skins)and leather etc.

During the financial year 2011-2012, bilateral trade between India and Saudi Arabia reached more than US $ 36 billion. India is the 5th largest market for Saudi Arabia is one of the fastest growing economies in the Middle East offering investment opportunities. 486 Indian companies working under SAGIA license have established ventures with Saudi partners in different sectors and have invested more than US$ 1.06 billion in Saudi Arabia. 46 Saudi companies with investment of US$ 228.8 million are functioning in India.

The import of crude oil by India forms a major component of bilateral trade with Saudi Arabia being India's largest supplier of crude oil, accounting for almost one-fifth of its needs.

Energy cooperation is an important aspect of bilateral economic ties and both sides are working towards the strategic energy partnership including long term supply of uninterrupted supply of crude oil by Saudi Arabia to India to meet its growing energy need; cooperation and joint ventures in upstream and downstream oil and gas sectors in India and Saudi Arabia.

Major Imports from Saudi Arabia:

Mineral Fuel (crude & products), Organic Chemicals, Plastics & material thereof, Inorganic Chemicals and Fertilizers.

Major Exports from India:

Major exports from India: Mineral Fuels & products; Cereals; Nuclear Reactors, boilers and parts; Electrical machinery & equipment, Sound recorders, Television Image and Sound recorders, and parts; Iron & Steel and products thereof; Organic Chemicals; and apparels.

Trade Figures Fir The Last Seven Years Are As Follows:

Indo-Saudi Trade (in million US $)

Year (April-March)	Imports from Saudi Arabia	Exports to Saudi Arabia	Total Trade	Increase in bilateral trade	Increase in Indian imports	Increase in Indian exports
2005-2006	1632.34	1809.77	3442.11	....	....	28.17%
2006-2007	13,355.33	2590.77	15,946.10	....	....	....
2007-2008	19,470.30	3711.16	23,181.46	45.37%	45.79%	43.25%
2008-2009	19,972.74	5110.38	25,083.12	8.20%	2.58%	37.70%
2009-2010	17,097.57	3907.00	21,004.57	-16.26%	-14.40%	-23.55%
2010-2011	20,385.28	4684.40	25,069.68	19.35%	19.23%	19.90%
2011-2012	31,060.10	5683.29	36,743.40	46.57%	52.37%	21.32%

Indo-Saudi Trade (in million US $)

	November 2011	November 2012	April-November 2011	April-November 2012	% increase
Import from Saudi Arabia	2955.61	1913.06	20,410.22	21,506.76	5.67
Exports to Saudi Arabia	387.85	781.41	3543.47	6076.51	71.48
Total	3343.46	2694.47	23,953.69	27,583.27	15.15

I NDI A'S EXPORTS TO SAUDI ARABI A DOUBLE IN LAST FOUR YEARS

India's exports to Saudi Arabia have nearly doubled in last four years, according to latest data out from the Ministry of Commerce. The exports to Saudi Arabia have increased from US $ 2590.77 million in 2006-07 to US $ 5,227.19 MILLION IN 2010-11. The total trade between India and Saudi Arabia has increased from US $ 15,946.10 million in 2006-07 to US $ 25,612.46 million in 2010-11.

The principal items of export to Saudi Arabia are Petroleum (Crude & Products); Rice Basmati, Dyes & Cola Tar Chemical, Machinery and Instruments, Primary & Semi-finished Iron & Steel.

Similarly the imports from Saudi Arabia has increased substantially from US $ 13,355.33 million in 2006-07 to US $ 20,385.28 million in 2010-11 and the principal items of imports are Petroleum (Crude & Products),Organic Chemicals, Artificial Resin, Plastic, Material etc.

India imports almost 23% of its crude oil requirements from Saudi Arabia.

STEEL BUSINESS RELATION BETWEEN SAUDI AND INDIA

Saudi Arabia offers a US $ 624 billion investment opportunity in physical infrastructure, petrochemicals, electricity production, water desalination, telecom & IT, tourism, natural gas production, agriculture expansion and education and training, Dr. Abdulrahman Al Rabiah, Chairman, Saudi-India Joint Business Council (JBC), said in New Delhi on Wednesday.

Addressing the "5th India-Saudi Arabia Joint Business Council Meeting", organized by the Federation of India Chambers of Commerce and Industry (FICCI), Dr. Al Rabiah said, "The governments of the two countries have done their job of facilitating two-way business engagements; our foundation is laid. Yet, the results in terms of business exchanges are not to the level we would like to see."

Dr. Al Rabiah, who is leading a high-power business delegation to india from sectors such as fertilizers, Pharma, housing, power, petrochemicals & refinery, steel, metals, mining and mechanical equipments, exhorted Indian companies to take advantage of the growth opportunities. Saudi Arabia is "the youngest nation in the world (67% Saudi are below the age of 27) which would need schools, hospitals, industries to meet their growing aspirations."

There is a lot of room for Indian companies with their high technology and experience to share in the development of Saudi Arabia, he said, adding that the US $ 400 million-odd investment by big Indian companies was insignificant compared with the potential.

Dr. Saud M. Al Sati, Saudi Arabian Ambassador to India, said that Indian and Saudi Arabia should engage in more business and trade by cashing in on the opportunities provides by the growth prospects in the two countries.

He said that between 2000 and 2012, investments by Saudi companies in india were a mere US $ 40 billion. This, he added, should rise significantly as Saudi and Indian companies engage with each other and build long term business partnerships.

Rakesh Bakshi, Senior Executive Committee Member, FICCI & Chairman & Marketing Director, RRB Energy Ltd., in his remarks, stated that renewable energy offered tremendous scope for Indian and Saudi companies to work together as " India has the institutional framework and the wheel. Our companies have the know-how and experience to modify the wheel and suit it to your requirement in the most inhospitable of climatic condition."

Bakshi said some of the other areas of opportunities for collaboration between Indian and Saudi Companies were in sectors such as education and skill development, healthcare, pharmaceuticals.

The JBC meeting saw presentations on the scope for partnership between Indian and Saudi companies by Janardhanan Ramanujalu, Regional manager- Saudi Basic Industries corporate (SABIC) (India) and Dr. Abdulrahman Al Rabiah.

Saudi Arabia today invited Indian companies to invest in various sectors including IT and telecom, electricity, agriculture, education and tourism.

“I invite Indian Industrialists to take advantage of opportunities available in Saudi Arabia. We can do more, there are so many areas where in you can invest,” Saud MAL Sati, Saudi Arabian Ambassador to India said at a FICCI function here.

The two countries should engage in more business and trade by cashing in one the opportunities provided by the growth prospects, he said.

“Also, we offer conducive business environment along with a number of incentives for investors,” he added.

Saudi-India Joint Business Council **(**JBC) Chairman, Abdulrahman Al Rabiah said the $400 million-odd investment by big Indian companies was insignificant compared with its potential.

There is a lot of room for Indian companies with their high technology and experience to share in development of Saudi Arabia, he added.

Further, Saudi Arabian Ambassador said there is a need for Saudi and Indian companies to engage more with each other and build long-term business partnerships.

Rabiah said Saudi Arabia offers a $624 billion investment opportunity in various sectors like infrastructure, petrochemicals, electricity production, telecom and IT, tourism, natural gas production, agriculture and education.

He said the governments of the two countries have done their job of facilitating two-way business engagements. “Yet, the results in terms of business exchanges are not to the level we would like to see.”

During 2011-12, the two-way trade between the two nations stood at about $37 billion. However, the trade surplus is in favors of Saudi Arabia because of huge crude oil exports to India.

India's exports to Saudi Arabia include mineral fuels, cereals, steel, iron ore and organic chemicals, while imports comprise crude oil, plastics and its articles, fertilizers, aluminum and leather.

PSL LTD. STEEL COMPANY

Steel pipe maker PSL Ltd's Sharjah based subsidiary, PSL FZE, Hamriyah has been awarded an $ 80 million contract for the supply of bare line pipes to the Saline Water Conversion Corporation (SWCC) of Saudi Arabia.

The project comprises construction of a water transmission system from Ras Azour in the eastern province of Saudi Arabia to Hafr Al-Batern in the central system, constituting API 5L Grade X-65, 44-inch diameter pipes for a total length exceeding 350 km.

Commenting on the deal, Mr. Ashok Punj, Managing Director. PSL Ltd, said, "With this order from SWCC, the installed capacity of the Pipe Mill at PSL FZE, Hamriyah, shall be fully utilised from April 2011 to May 2012."

SETTING UP SECOND PLANT

The company is adding another pipe mill of capacity of 75,000 million tonnes a year at PSL FZE, Hamriyah, taking the total capacity to 150000 million tonnes a year. The installation of the second mill is in an advanced stage completion.

Mr. Punj added that another offer of an approximate value of $ 200 million for a water transmission pipeline project of over 600km pf pipe has been submitted by PSL Ltd, india, and PSL FZE, Hamriyah. The offer is also under active evaluation.

PSL also announced that it is well equipped to cater to this upward trend in demand for steel pipe growth in various markets, as it maintains a direct manufacturing presence near energy, water and infrastructure centers via its PSL FZE facility.

The facility commenced operations from its Sharjah-based facility in mid 2007, with a capacity of 7500 million tons per year. The plant provides pipe supply and coating service for

onshore and offshore applications within the United Arab Emirates, Saudi Arabia, Oman, Qatar, Kuwait, and other locations in West Asia.

A REVENUE BOOST

BL Research Bureau adds: PSL’s order, worth about Rs 360 crore, through its wholly-owned subsidiary, may be material to its revenues as it expands its reported order book by between 20 and 25 % to around Rs 1800 – 1900 crore. This is to be executed over the next one year.

The company managed Rs. 2400 crore of revenues in the first nine months of 2010-11, suggesting a lower run rate than 2009-10 when net sales hovered at Rs. 3800 crore on a consolidated basis.

Matching that performance while holding on the margins appears a challenge, with high raw material costs and a competitive steel pipe market, whose best players operate at around 50% utilization levels.

With projected demand from infrastructure spending and oil pipelines in the latter half of 2010 not6 quite panning out as expected, pipe players have been waiting for order flows to pick up.

Welspun Middle East started its operation in 2010 when welspun Corp Ltd. Acquired 50.01% interest in Aziz European pipe factory. The facility is situated at Damman Industrial City in the Kingdom of Saudi Arabia, about 40 kms from AL Khobar towards Haffof. This is one of the largest spiral pipe manufacturing facilities in the area. The state od the art mill was set up in 2006 and can produce up to 350000 MTPA of spiral pipes. It also has a coating plant of 1 mn sq. Mt per annum capacity.

Welspun Middle East has modern and sophisticated manufacturing equipment with latest art lab testing facilities. The pipe division is capable of manufacture pipes up to X80 Grade as per API/EN/ASTM/ISO and other specification. Its has the capacity to produce the pipe length up to 18.00 meters.

Welspun Corp Ltd. (WCL), the flagship company of Welspun Group, which Welspun Middle East is a part of, is today probably the largest diameter line pipe company in the world. It is ranked as the 2nd largest pipe producer by financial times Uk and awarded The Emerging Company of the year by Economic times, 2008, respectively. With s strong culture pipelines in the world from its India and US plants with an installed line pipe capacity of nearly 2.0 MTPA.

To its credit, the company has supplied pipes for world's deepest pipeline project (independence trail, gulf of maxico), highest pipeline project (peru LNG), to the longest pipeline (Canada to US) and the heaviest pipeline (Persian gulf). WCL's has an esteemed Client list which includes trans canada.

Enterprise, kinder Morgan, Texas Gas, Hunt Oil, Saudi Aramco,Elpaso Exxon Mobil and Qatar Petro DOW to name a few.

POLICIES AND NORMS OF SAUDI FOR OIL AND STEEL INDUSTRY FOR IMPORT / EXPORT

1. INDUSTRIAL LICENSING PROCEDURES SAUDI TO INDIA

Licenses for establishing an industrial unit are granted according to one of the two following regulations:

1) The national industries encouragement Act, which applies to industrial projects to be established by Saudi citizens with full Saudi capital.
2) The foreign capital investment Act,Which applies to industrial projects fully owned by foreign capital or joint ventures with foreign capital.

- ✓ All industrial projects owned by foreign or national capital or by joint ventures whose fixed capital exceeds SR 1 million (excluding the value of land & holdings)must be licensed by the ministry of industries of industry and electricity
- ✓ Investors planning to start an industrial project should submit an application to the Evaluation and licensing of industrial projects departments station the product and the production capacity, approximate capital, and proposed location. If the department considers the project suitable, it will provide the applicant with a license application form.
- ✓ The investor must fill in the license application form details of the economic feasibility of the project and return the form and the feasibility study to the department, with copies of identity cards of the project owners. For projects with foreign capital, a copy of the initial partnership contract should be attached with the documents.
- ✓ Special units in both the evaluation and licensing of industrial projects department and the foreign capital investment committee are responsible for evaluating applications. They submit their recommendations to the minister of industry and electricity, Who gives the final approval
- ✓ Projects with a fixed capital of less than SR 1 million are not subject to the industrial license system but should be recorded in the commercial register.
- ✓ For the projects investors should obtain a registration form from ministry's evaluation and licensing of industrial projects department. The investors must submit the form, along with equipment invoices, to the department.
- ✓ If the department approves the registration, it will contact the commercial registration office where the project is located and notify the investor to contact the registration

department to complete the registration procedure. Bakeries, cold stores, Ice factories, and cement –mixing projects can be registered commercially, without an industrial license from the ministry.

FOREIGN CAPITAL INVESTMENT ACT

The foreign capital investment act covers currencies, financial and commercial papers, equipment, machinery, spare parts, raw materials, products, transportation means, patent rights, and trademarks, provided that they are officially recognized. Foreign investment in oil and mineral sectors are subject to a special act applied by ministry of petroleum and minerals resources.

To enjoy the concessions allowed in the foreign capital investment act, foreign capital should meet three conditions:

1) The planned investment should be in projects within the framework of the development plan or projects of the same nature in existence in the kingdom;
2) It should involve foreign technical expertise; and
3) I should have an industries license from the ministry of industries and electricity, upon recommendation of the foreign capital investment committee.

The license, with all information and documents, and signed by the authorized officials or his authorized representative, should be submitted to the office of the foreign capital investment committee, where it is registered and evaluated and referred to the committee along with any relevant evaluation.

The application should include information on the legal status of the applicant, the company and the products it plants to produce in the kingdom, with information on the local competition, a description of the manufacturing process, and details of the equipment, machinery and raw materials, manpower requirement and plans for the training of Saudi labor and personnel, the value of the project, the economic feasibility study, the project cost and marketing plans.

The foreign capital investment committee is comprised of the under secretary for industrial affairs of the ministry of industry and electricity, as chairman, petroleum and mineral resources, agriculture and water, and commerce. Among the committee’s functions are suggesting development projects, assessing investment applications, investigating complaints or disputes, recommending penalties for violators, and establishing rules for the implementation of the act.

The foreign capital investment act foreign capital the same concessions as national capital under the national industries encouragements act. I exempt industrial or agricultural projects with foreign capital from income and corporate taxes for ten years, and exempts other projects from these taxes for five years from the start of production, provided that the project has local equity participation of not less than 25 percent during the period of exemption. If the project was in existence before the issue of the act, the exemptions will be applied.

The industry and electricity minister can draw the attention of any of the licensed industrial establishment to violations of the provisions of the act and require them to remedy the violation within a specified time. In case of non-compliance, the minister may, on the recommendation of the foreign capital investment committee, withdraw the license or liquidate the establishment.

The owners of the establishment may appeal to the board of grievances against the penalty within 30 days from the date of notification, through the official's channels.

AMENDMENTS TO INDUSTRIALS AND NON-INDUSTRIAL LICENSES:

Documents to be submitted along with applications for amendment of ownership or hares, increase or decrease of capital; the opening of follow-up offices or marketing centers; and the expansion of facilities or modification of a project site are as follows:

Principal documents

- ✓ Partner's resolution on the required amendment
- ✓ Company's balance sheet and report for the last finished year.
- ✓ Certificate of payment of zakat and taxes (from the ministry of finance and national economy).
- ✓ A copy of the company's commercial registration certificate (to be submitted only with the first application of an amendment).
- ✓ Copies of the original license and any subsequent modifications to it.

Amendments requiring additional documents

Ownership amendment (industrial and non-industrial)

Amended articles of association.

- ✓ In case of the admission of a new Saudi partner, copies of the identity cards of individuals, and the board of directors' resolution approving his participation in the joint ventures company, accompanied by a copy of the commercial registration certificate in the case of companies.
- ✓ In the case of the admission of new foreign partners (individuals or companies), the documents related to the foreign partner that are mentioned in the list of required document for licensing a new project that has a foreign partner.
- ✓ Approval from the Saudi industrial development fund (individual or companies), the documents related to the foreign partner that are mentioned in the list of required documents for licensing a new project that has a foreign partner.
- ✓ Approval from the Saudi industrial development fund (SIDF) for the requested modification or a letter from SIDF station that it has no dealings with the company.
- ✓ In case of the withdrawal of a partner, a certified statement regarding his withdrawals signed by partner withdrawing from the company. For the joint venture company to retain the name of the withdrawing foreign partner, the certified document of withdrawal should state that his share and the use of his name have been sold.
- ✓ The principal documents listed above

Modification of joint venture company's name and/or statutory status(industrial and non – industrial):

- ✓ Amended articles of association containing the modification requires (signed and dated)
- ✓ Approval from the SIDF for the requested modification (industrial projects only)
- ✓ The principal documents listed above.

Opening branches (non-industrial projects);

- ✓ Details of total cost to set up branch
- ✓ For bank branches, an approval from the Saudi Arabian monetary agency (SAMA).
- ✓ For branches of a transportation company, an approval ministry of transportation(deputy minister for transportation affairs).
- ✓ For drilling water wells, an approval from the ministry of agriculture and water.

- ✓ For oil exploration, drilling and mining, an approval from the ministry of petroleum and mineral resources.
- ✓ For hospitals and clinics, an approval from the ministry of health.
- ✓ The principal documents listed above.

0pening follow-up offices (non –industrial):

- ✓ A copy of contracts to carry out works in the districts where the company wants to open offices.
- ✓ Names of cities in which the requires officers will be operated.
- ✓ The principal documents listed above.

Increasing/Decreasing capital (non-industrial):

- ✓ A detailed memo on the amendment method.
- ✓ Amended articles of association including the modified capital and any modifications in partners' shares.
- ✓ An undertaking from the partners that they will meet dues or obligations to the company's creditors before decreasing the capital.
- ✓ A certificate from a charted accountant, licensed to work in Saudi Arabia, stating that the capital of the company after decreasing will still cover all the debts due from the company
- ✓ The principal documents listed above.

Adding or dealing an activity (non-industrial):

- ✓ Amended articles of association
- ✓ In case of the addition of an activity, a certified document including the experience of the foreign partner in the activity.
- ✓ The principal documents listed above

Dissolving and liquidating a company (industrial and non-industrial):

- ✓ A copy of the cancellation certificate of commercial registration of the company from the ministry of commerce.

Extending a company (industrial):

Increasing production capacity, adding new products, opening a new branch

- ✓ A copy of the preliminary approval letter concerning the required issued by the evaluations and licensing of industrial projects departments to the company.
- ✓ A feasibility study (when required).
- ✓ The principal documents listed above.

Opening marketing centers or show room (Industrials):

- ✓ Names of cities in which the required centers will be opened.
- ✓ The principal documents listed above.

2. <u>INDUSTRIAL PERMISSION SAUDI TO INDIA</u>

COMMERCIAL DOCUMENTS

- ✓ The documents required for all commercial shipments to the kingdom of Saudi Arabia are:
  1. Commercial invoice
  2. Certificate of origin
  3. A bill of lading (or airway bill)
  4. A steamship (or airline) company certificate
  5. An insurance certificate (if goods are insured by the exporter)
  6. Packing list

- ✓ Additional documents may be required, depending on the type of goods being shiping, on certain requests from the Saudi importer or in the letter of credit (L/C) , or according to a contract.

- ✓ The exporter is responsible for authenticating the certificate of origin, the commercial invoice, and any special documents. The documents must be certified in the following order:
  1. Notarized by a notary public and certified by a local exporting country chamber of commerce.
  2. Certified by the exporting country-Saudi Arabian business council.
  3. Legalized by the Saudi embassy or any Saudi consulate in the exporting count
- ✓ All shipments must contain two basic documents:
  1. The certificate of origin
  2. The commercial invoice

✓ In addition,

Two copies of the export information sheet (EIS) must be filled out, signed by an official of the exporting/shipping company and submitted with the other required shipping documents.

Description of shipping documents

✓ Commercial invoice:

All commercial invoices must be on exporting company's letterhead. The invoice should contain the names and addresses of the consignee, and must accurately describe goods and components:

Trademarks	Total value of the shipment
The date of sailing	Contents of each package and container
Port of discharge	L/C number (if applicable) and freight and insurance and currency.
Quality	Name of the vessel (or airline)
Extended price of each type of goods	Port of loading
Unit price	Net and gross weight

✓ As of may 18, 1996:

Saudi customs authorities have emphasizes that commercial invoices issued by exporters should contain an accurate description the goods being exported to the kingdom.

Itshould include:

1. line, number, and size of exported item
2. module number
3. trademarks
4. manufacturer's complete name
5. any other information helpful in identifying the exported equipment

✓ For other exported products:

1. complete material description including type, size, weight, and percentage of its components if possible
2. complete name(s) of manufacturing(s)or producer(s)trademarks
3. any other information pertaining to the type of the exported item

✓ Certificate of origin:

The certificate of origin must be issued by the manufacturer (or the exporting firm), and must include the name of the vessel (airline) and the date of soiling, name(s), nationality(ies), and full street address(es) of the manufacturer(s) of all items to be shipping to Saudi Arabia. Furthermore, the origin of each item or component must be specified. In addition, a signed statement to the effect that the document is true and correct must be give .in addition, the certificate of origin must include the name and address of the Saudi importer, a description of the goods, and the address of the shipping company.

✓ **The bill of lading (or airline bill):**

One non negotiable copy of the bill of lading is to be presented to a Saudi Arabian consulate. The bill of lading should agree with the commercial invoice and show description, value, net and gross weight of shipped goods, volume, and measurement, marks, number of packages, name and address of the consignee (Saudi importer) and consignor, name address of shipping company and/or shipping agent, name of vessel and date of sailing, port of loading and port of discharge. Mark and numbers should agree with those on the invoice and containers

✓ **Steamship certificate:**

This certificate (which is an appended declaration to bill of lading or airway bill) should be issued by the steamship (or airlines) company in at least one original. It must be notaries and contain the following information about the vessel (or plane), named in the bill of lading or the airline company certificate.

1. Name of vessel (plane), and previous name (if applicable)
2. Nationality of vessel (plane)
3. Owner of vessel (plane)

4. Name of ports (airport) that the vessel (plane) will call on en route to the kingdom of Saudi Arabia, including port (airport) of loading port (airport) of discharge.

✓ **Insurance certificate:**

This certificate (issued by an insurance company in at least one original) must contain the actual amount of insurance, description and value of insured goods, name of vessel, port of loading and Saudi port of discharge, and name and address of beneficiary.

- Packing list:

  This includes names and addresses of consignor and consignee, decription and value of the exported goods, net and total weight, number of packages and their contents, number of containers and contents, numbers of seals and L/C number (if applicable).

3. INDUSTRIAL TAXATION SAUDI TO INDIA

A. INCOME SUBJECT TO TAX:

Income subject to tax is gross income and includes income, profit, gains of any type and any form of payment arising from carrying out activity. Gross income includes capital gains and incidental income but excludes certain exempt income.

B. DEDUCTIBLE EXPENSES:

Deductible expenses are broadly as follows:

- Actual expenses supported by verifiable documentation or other evidence.
- Related to earning taxable income.
- Related to the subject tax year.
- Of non-capital nature

Other deductible expenses include:

- Bad debts provided they meet certain conditions.
- Cost of repairs or improvements of fixed assets are deductible on condition that the

Deductible expense for each year may not exceed 4% of the remaining value of the related asset group at year-end. Amounts in excess should be added to the remaining value of the asset group and depreciated.

- A deduction is allowed for research and development costs connected with income subject to tax.
- Value of goods or services delivered to the taxpayer by related parties to the extent that it is in excess of an arm’s length value.

C. NON-DEDUCTIBLE EXPENSES:

Certain types of expenses are, however. Not deductible such as expenses of a capital nature and certain specific expenses not deductible under the provisions of the law. The following are expenses that are not allowed as a deduction in accordance with the tax law:

- Expenses not connected with the earning of income subject to tax.
- Payments or benefits to a shareholder, a partner or their relatives which constitute employment income Or which do not represent an arm’s length payment for property or services.
- Entertainment expenses.
- Income tax paid in the Kingdom or to another state.
- Fines and penalties paid or payable to any party in the Kingdom (not including those paid for breach of contractual obligation).
- Payments made to head office by branches for royalties, commission, interest and indirect allocated general and administrative expenses.
- Deductions for provisions a deserves (other than provisions for doubtful debts in banks).

D. TAX DEPRECIATION:

Depreciation is calculated for each group of fixed assets by applying the prescribed depreciation rate to the remaining value of each group at the fiscal year-end. The value for each group at the end of the year is calculated by:

- Adding the remaining value of the group at the end of the preceding taxable year less previous depreciation deductions (the remaining value of each group at the end of the preceding taxable year is defined to be the total value of each group at the end of the preceding taxable year net of depreciation of the preceding taxable year).
- Adding 50% of the cost of assets that were purchased in the current year.
- Adding 50% of the cost of assets purchased in the preceding taxable year.
- Deducting 50% of the consideration received from the disposal of assets during the taxable year.
- Deducting 50% of the consideration received from the disposal of assets during the preceding taxable year.

Category/group	**Depreciation rate**
Fixed buildings	5%
Industrial & agricultural movable buildings	10%
Factories, machines & equipment, computer application programmed, passenger cars & cargo vehicles	25%
Expenditures for geological surveying, drilling, exploration & other preliminary work to exploit & develop natural resources & their fields	20%
All other tangible or intangible assets not included; impervious categories, such as furniture, planes, ships, trains, & goodwill	10%

E. <u>FINES:</u>

The fine for non-registration with the Department of Zakat and Income Tax (DZIT) varies from SR 1,000 ($267) to SR 10,000 ($2670). The fine for non-submission of tax declarations by the applicable due date is the higher of:

a) 1% of gross receipts but not to exceed SR 20,000 ($5,340);
b) 5% of the underpaid tax if the delay is up to 30 days from the due date;
c) 10% of the underpaid tax if the delay is more than 30 days and not more than 90 days from the due date;

d) 20% of the underpaid tax if the delay is more than 90 days and not more than 365 days from the due date; or

e) 25% of the underpaid tax if the delay is more than 365 days from the due date.

Delay fine (in addition to fine for non submission of tax return) is 1% of the unpaid tax foreach 30 days delay, and fraud and evasion fine totals 25% of the difference in tax resultingfrom misrepresentation or fraud.

F. <u>WITHHOLDING TAX IN SAUDI ARABIA:</u>

The Saudi Arabian tax law provides for actual withholding tax at different rates on payments made to non-resident parties by a permanent establishment of a non-resident from a source of income in the Kingdom of Saudi Arabia. Accordingly, any payment for services provided by a non-resident enterprise that is from a source in the Kingdom is subject to withholding tax. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property.

WITHHOLDING TAX RATES

Management fees	20%
Royalties	15%
Payments against services to the head office or to a related party	15%
Rent, consultancy or technical services, air tickets or airfreight or sea freight, international telecommunication services, dividends, interest on loans, insurance or re-insurance installments	5%
Any other payment	15%

G. <u>OTHER TAXES:</u>

Saudi Arabia does not have employees tax, value-added tax, and general sales tax or stamp duties. However, there are customs duties, social security and levy on the transfer of land.

POLICIES AND NORMS OF INDIA FOR OIL AND STEEL INDUSTRY FOR IMPORT / EXPORT TO SAUDI

1. BUSINESS LICENSING INDIATO SAUDI

The following is an overview of some of the licenses required for businesses in India. The existence of several enforcement and regulatory authorities, at central, state and locals levels, governing a business entity requires quite a number of licensing and approvals to be obtained before commencing operations. The licenses and permits are required besides other basic registrations such as registrations for PAN, VAT, TAN, ESI, PF etc. the below article is not exhaustive.

✓ Industrial license:

Indian industrial license regime has been considerably eased after progressive liberalization and deregulation since 1991. Industrial licenses are regulated under the industries development regulation act 1951. Industrial license is granted by the secretarial of industrial assistance (SIA) on the recommendation of the licensing committee. Presently industrial licensing for manufacturing is required in case of-

- Industry under compulsory licensing
- Manufacture of item resaved for (small scale industrial) SSI sector by non SSI units
- Projects affected by location restrictions

✓ Compulsory licensing:

Following industries require compulsory industrial license under the provisions of industrial (D&R) act, 1951

- Distillation and brewing of alcoholic drinks.
- Cigars and cigarettes of tobacco and manufactured tobacco substitutes;
- Electronic aerospace and defense equipment, all types;
- Industrial explosives, including detonating fuses, safety fuses, gun powder, nitrocellulose and matches;

✓ Location restrictions:

The location of industrial units is subject to applicable local zoning and land use regulations and environment regulations. Industrial license is required if the proposed location of the unit is within 25 km of standard urban area limits of 23 cities having a population of one million as per 1991 census.

The restriction does not apply:

- If the unit were to be located in an area designated as an "industrial area" before the 25th July, 1991.
- In the case of electronics, computer software and printing and any other industry, noticed in futures as "non polluting industry".

Industries exempted from the provisions of industrial license are required to file industrial entrepreneur's memorandum (IEM) with secretariat for industry assistance (SIA), department of industrial policy & promotion (DIPP), and ministry of commerce & industry

✓ Factory license:

An occupier of a factory is required to obtain a license under the provisions of respective state factories rules. For this purpose he is required to make an application to the office of the chief inspector of factories, in the concerned jurisdiction in accordance with the provisions of state rules. The procedure, timeframe and fees vary according to different states

✓ Import license:

India allows for free import of most of the goods however some categories of products are strictly prohibited and some are allowed conditional import under import license. Import license is issued by the director general of foreign trade (DGFT). Typically the license is valid for 24 months for capital goods and 18 months for raw material, components, spare parts and consumables.

An import license consists of two copies.

- **<u>Foreign exchange control copy</u>**: to be utilized for effecting remittance to foreign seller or for opening letter of credit.
- **<u>Customs copy</u>**: to be utilized for presenting to customs authority enabling them to clear the goods.

The two types of license are:

- **<u>General license:</u>** this license can be used for the import of goods from all countries, except those countries from which imports are prohibited.
- **<u>Specific license:</u>** this license can only be used for imports from a specific country.

✓ <u>Export license:</u>

Export license are only issued for the goods mentioned in the schedule 2 of ITC (HS) classifications of export and import items. Application for export license must be submitted to the director general of foreign trade (DGFT). Exporting of items that are regulated by conditions including minimum export price (MEP), registration with specified authorities, quantitative ceilings will require export license.

✓ <u>Import export code(IEC):</u>

IEC code is unique 10 digit code issued by DGFT – director general of foreign trade. It is mandatory for import export activates and to make remittance against purchases made to foreign sellers. Only one IEC would be issued against a signal PAN number. Any proprietor can have only one IEC number and if more than one IEC is allotted to a proprietor, the same may be surrendered to the regional office for cancellation. An IEC number allotted to an applicant shall be indefinitely valid for all its branches/divisions/units/factories. Application for IEC must be submitted to the regional authority of directorate general foreign trade.

✓ <u>Trade license:</u>

To ensure that the manner in which a business is being carried on is according to the relevant rules, standards and safety guidelines the municipal authority in charge of the please where trade is conducted issues a trade license. The procedure & fees to obtain a trade license are set by the municipal authority therefore widely differs according to the location. Trade license is a certificate/document which grants permission to carry on the particular trade or business for which it is issued. It does not confer ownership of property or permission for any other activity than for which it is issued.

✓ **Other licenses:**

Depending on the nature of business the promoter may have to register or apply for license with the concerned regulatory authority. Several registrations, permits & license, clearance may be required before commencing a business, for instance a retail business if commencing operations on proper regulation terms will have to acquire nearly 50 approvals depending on the nature of operations.

✓ **Grant of license:**

Licenses under these rules may be granted by the licensing authority set forth in the first schedule in the forms specified for the purpose and on payment of a fee specified therein.

✓ **License for storage**

Provided that no license shall be necessary

1. For the storage of petroleum in well-head tank; or
2. For the storage of petroleum as transit cargo within the limits of a port

Subject to such condition as may be specified by the conservator.

Period for which licenses may be granted or renewed.-

- A license in form III or XVII may be granted for such period as the licensing authority may deem necessary subject to a maximum of one year.
- Every other license granted or renewed under these rules will remain in force until the 31^{st} day of December of the year up to which the license is granted or renewed subject to a maximum of three years.
- Notwithstanding anything contained in sub rule (1) or sub rule (2), the licensing authority where it is satisfied that a license is required for a special work or festival which is not likely to last up to the 31^{st} day of December of the year up to which the license is granted or renewed, may grant or renew a license for such period as is actually necessary.

Application for license

- A person wishing to obtain or renew a license under these rules shall submit an application in writing to the authority empowered to grant such a license.
- An application for the grant of a license to transport petroleum in bulk by road in mechanically propelled vehicles shall be in form VII and to transport petroleum class/B in bulk on land for onsite fuelling of aircraft's, heavy vehicles/machineries and stationery equipment by a mechanically propelled vehicle viz. refueled shall be in form VIII. An application for license to import and store petroleum shall be in form IX and to decant kerosene(petroleum class B) from mechanically propelled vehicles containers shall be in form X.

Amendment of license

- Any license granted under these rules may be amended by the authority empowered to grant such a license.
- The fee for amendment of a license shall be rupees five hundred plus the amount, if any, which the fee that would have been payable if the license had originally been issued in the amended from exceeds the fee originally paid for the license.
- A license who desires to have his license amended shall submit to the licensing authority-

1. an application duty filled in and signed in form VII if the license has been granted for transport of petroleum in bulk by road, in form VIII, if the license has been granted for refueled in form XIX, in form IX if the license is granted to import and store petroleum and in form X, if the license is granted to granted to decant kerosene (petroleum class B) from mechanically propelled vehicles in containers.
2. The license sought to be amended together with the approved plans attached to it.
3. Where any alteration in the licensed premises has been carried out three copies of the properly drawn plan shown plan shown in the alteration sanctioned under rule 146 by the licensing authority.
4. Fee for the amendment of a license as specified in sub rule (2).
5. A certificate of testing of the tank or tanks, if required under rule 126.
6. A certificate of safety, if license as specified in sub rule (2).

2. BUSINESS PERMISSION INDIATO SAUDI

SHIPPING DOCUMENT

The document required for all commercial shipments to The Kingdom of Saudi Arabia irrespective of value or mode of transportation are a commercial invoice, a certificate of origin, a bill of lading (or airway bill) a steamship (airlines)company certificate, an insurance certificate (if goods are insured by the exporter) and a packing list. Depending on the nature of goods being shipped, or upon certain requests from the Saudi importer or clauses in a contractual document, specific certificates may also be required

It is important to note that authentication of these documents is the responsibility of the exporter, who must see that those are certified as per following:

1. All documents must be notarized by the Foreign office
2. All documents to be sealed and certified by a local chamber of Commerce
3. All documents to be legalized by the consulates General /Embassy of Saudi Arabia.

THE BILL OF LADING (OR AIRWAY BILL)

One non-negotiable copy of lading is to be presented to a Saudi Arabian consulate the bill of lading commensurate with the commercial invoice and should show description, value, net and gross weight of shipped goods, volume & measurement, marks, name and address of consignee (Saudi importer) and consigner, name and address of shipping company and/or shipping agent, name of vessel and date of sailing, port of loading and port of discharge, number of packages. Marks and number should agree with those on invoice and containers.

STEAMSHIP CERTIFICATE:

This certificates (which is an APPENDED DECLARATION TO BILL OF LADING) should be issued by steamship company in one original at a minimum, must be notarized and state that the vessel (named in the bill of lading) is not registration in a country with which business relation are discourage or owned by national by nationals of such country, and that it is scheduled to call at certain specific destinations en-route to Saudi Arabia. Further, it should declare that said vessel is otherwise eligible to enter into ports of the kingdom of Saudi Arabia in conformity with its laws and regulation (standard form of Appended Declaration to Bill of lading is available at Saudi Arabian Consulate/Embassy)

INSURANCE CERTIFICATE

This certificate (issued by an insurance company in one original at a minimum) must contain the following information: actual amount of insurance, description and value of insured goods, name of vessel, port of loading and Saudi port of discharge and name and address of beneficiary. In addition, the APPENDED DECLARATION TO INSURANCE POLICY (form of which is available at any Saudi Arabian consulate) should stat that the insurance company has a duty qualified and appointed agent or representative in the Kingdom of Saudi Arabia giving his name and full address

PACKING LIST:

This includes names and address of consignor and their consignee, description and value of the exported goods, net and total weight, number of packages and their content, number of containers and contains, number of seals and number of L/C. (if available)

3. BUSINESS TAXATION INDIATO SAUDI

Taxes are annual taxes payable on the income of a body corporate operating in India. The provisions relating to corporate income tax are contained in the Income-tax Act, 1961. There are specific statutes for other taxes levied on companies. It should be noted that a new draft Direct Tax Code to simplify and rationalize the direct tax system of India is currently being reviewed by the government. If passed it will mark a paradigm shift in the tax regime of India, by moderating, consolidating and simplifying the direct tax provisions and enhance compliance levels.

Key provisions

A domestic/resident company is taxed on

1. previous year by or on behalf of such company

2. Any income which is received or is demand to be received in India in the relevant Any income which accrues or arises or is deemed to accrue or arise in India during the relevant previous year
3. Any income which accrues or arise outside India during the relevant previous year

A Foreign/non-resident company is taxed on

1 Any income which is deemed to be received in India during the relevant previous year by or on behalf of such company

2 Any income which accrues or arises or is deemed to accrue or arise to it in India during the relevant previous year

- A domestic/resistant company would be subjected to an additional tax called dividend tax on the amount of dividend declared, distributed or paid; Dividends tax is charged on the company and not charged on the hands of the shareholders. Such tax must be within 14 days of declaration or distribution, whichever is earlier. Any distribution on account of such tax is not allowed to the company.
- Companies with more than INR 10 million total incomes are subjected to a surcharge on their taxes. Domestic companies pay a surcharge of 5% as against foreign companies that pay a surcharge of only 2%.
- Withholding tax is applicable on payments made to foreign companies operating in India without permanent establishment.
- Capital gains are subject to tax

Corporate Tax Rates 2011-2012

	Company with total income exceeding INR 10 million	**Company with total income less than INR 10 million**
Domestic company	32.445 %(30% basic rate plus surcharge of 5% plus education cess of 3%)	30.9% (30% direct tax plus education cess of 3%)
Foreign Company	42.024% (40% plus surcharge of 2.5% and education cess of 3%)	41.2% (40% plus and education cess of 3%)

In addition to the basic corporate tax rate the following important taxes are applicable

1. Minimum alternate tax rate of 18.5% (plus applicable surcharge and cess)
2. Divided distribution tax of 16.22% is charged on domestic companies
3. Foreign dividends received by an Indian company currently are taxed at a rate of 30% (plus the surcharge and cess). To encourage India companies to repatriate funds, it is proposed that where the total income of an Indian company includes any dividend declared, distributed or paid by a foreign subsidiary company. The dividends will be taxed at 15% on a gross basis. No deduction in respect of any expenditure or allowances will be allowed in computing the dividend income.
4. Wealth tax is charged @ 1% of the amount by which the net wealth exceed Rs.3 million
5. Fringe benefits are taxable at 30% tax rate and additional 3% education cess on the total tax amount. For corporate with turnover of over INR 10 million, there is additional 10% surcharge on the 30% tax.
6. Short term capital gains are taxed at normal basic income tax rate and long term capital gains charged 10%-20%. Short term gain on sale transaction of equity share/ unit of an equity oriented fund attract 15% tax rate while long term tax gained on similar transaction is exempted from tax
7. Withholding tax

Current rates for withholding tax for payment to non-residents are as follows

Interest	20%*
Dividend	Nil
Royalties	20%
Technical services	10%
Any other services	40% of the income

8. Note: applicable to non-resident belonging to countries that are not party to DTAA with India. Rates will be competitive for DTAA partner countries
9. In order to augment long-term, low cost funds from abroad for the infrastructure sector interest received by a non-resident from an infrastructure debt fund set up in accordance with guidelines to be prescribe and notified by the central government will be taxed at a rate of 5% (plus the applicable surcharge and education cess) on the gross amount

10. In additional several other taxes will be charged as indirect charges CENVAT,VAT, service tax, Customs duty etc

Computation of Tax

All incomes

Less: losses, expenses, & Allowable Exemptions

Gross total income

Less: Allowable deductions

Tax: Total Income * Tax rate

Less: Relief & Rebates

= Tax Payable

Gross total Income

For the purpose of tax computation total gross income is the aggregate of the income from various sources, after excluding qualifying exemption, grouped under the following heads:

- Income from house /property
- Capital gains of business or profession
- Profits and gain of business or profession
- Income from other source such as foreign dividends, interest's etc. income from other sources including interest on securities, winning from lotteries, and also, income of other person may be included in the income of the company.

The income is adjusted for `current and brought forward losses` and qualifying to arrive at the Gross Total Income. Which should be adjusted allowable deduction to arrive at the net income?

Allowable Deductions

In computing taxable total income, Gross Total Income should be adjusted for allowable deduction to arrive at the net income, several deduction are allowed which include the following.

- Capital allowances-expenses on R&D, mergers & acquisition quality for deduction

- Depreciation-available at specific percentage depending on the asset and depreciation not set off against current year`s income can be carried forward for set off against any future income for an unlimited period
- Stock/inventory-valuation at market value or cost whichever is lower
- Interest –interest paid on the borrowings
- Losses -can be set off against any other income in the same Assessment Year and against business profits in subsequent assessment year subject to certain condition

The net income thus arrived is the chargeable income which is subjected to tax to determine the tax accrued from which the tax rebates and credits are deducted to arrive at the actual tax payable.

TRADE BARRIERS: BARRIERS TO FREE TRADE DO EXIST. (SAUDI ARABIA)

A. Types of Barriers:

- Tariff are excise taxes on imports and may be used for revenue purposes, or more commonly as devised that protect domestic producers from foreign competition by raising import prices.
- Import quotas specify the maximum amounts of imports allowed in a certain period of time. Low import quotas may be a more effective protective device than tariff, which do not limit the amount of goods entering a country.
- Non tariff barriers refer to licensing requirements, unreasonable standards, or bureaucratic red tape in customs procedures.
- Voluntary export restrictions are agreements by foreign firms to “voluntarily” limit their exports to a particular country.

B. With free trade, consumption will take place at the world price & domestic production will be a with import making up difference. There are 4 direct effects,

- When the tariff is imposed, domestic consumption declines as the price rises.
- Domestic production will rise to because the price has risen.
- Imports fall
- Government tariff revenue will represent a transfer of income from consumers to government.
- One indirect effect also may occur in that relatively inefficient industries are expanding and relatively efficient industries abroad have been made to contract.

C. The economic impact of quotas is similar to tariff, but worse because no revenue is generated for the government, the higher price results in more revenue per unit for the foreign producer. After the quota, the price will go to the foreign and domestic producers supplying the product at price. Also, there is no possibility for consumers to obtain more that the allowed quota, even at higher prices.

INTERNATIONAL TRADE BARRIERS BETWEEN INDIA & SAUDI ARABIA.

A. Military self sufficiency may be a valid political economic argument for protecting industries that are critical to national defense. The argument is that the country cannot be dependent on other countries for its national defense. However, the problem with this rationale is that nearly every industry is critical in one way or another. It is difficult to select strategic industries to protect. Also, most goods are produced in many places, so dependency on one nation is not likely.

B. Increasing domestic employment is the most popular reason for protection, but there are important shortcomings associated with this reasoning.

- Imports may eliminate some jobs, but they create others in the sales and service industries for these products.
- The fallacy of composition applies here. The imports of one nation are the exports of another. By achieving short term employment goals at home, the trading partner may be made weaker and less able to buy the protectionist nation's products.

C. Diversification for stability may be a legitimate reason for a nation to protect certain industries until they become viable. For Example, Saudi Arabia may not always be able to depend on oil exports nor Cuba on Sugar Exports. They need to develop other industries.

- This argument does not apply to the other diversified economies.
- The economic costs of diversification may be greater and not worth the protection.

D. The infant industry argument is similar to the diversification argument for protection. New industries all agedly may need "temporary" protection to gain productive efficiency. But qualification is noted.

- It is difficult to determine which industries are the best to protect.
- Protection may persist after industrial maturity is realized.
- Direct subsidies may be preferable to international protection.

E. Strategic trade policy has been successful in Japan & Korea, but there is still a danger of retaliation by affected nations. Affected nations can implement tariffs in response.

F. Protection is said to be needed against the competition from cheap foreign labor. However, this argument is not valid. It is mutually beneficial for rich and poor to trade within one another. By not trading, we don't raise our living standards at all, but we will decrease them by shifting labor into inefficient areas where the foreign labor could have produced the items more efficiently.

SAUDI ARABIA CUSTOM FOR IMPORT & EXPORT.

✓ **Free Import:**

- Personal clothing and items for personal use.

✓ **Prohibited:**

- Alcoholic beverages are not to be imported under any circumstances
- Israeli currency
- Narcotics
- Pornography
- Religious books and material
- Imitation and counterfeit goods

✓ **Restricted:**

- Currency (both local & foreign), negotiable instrument (cheques, bonds or any other payment methods) or precious metals exceeding SR 60,000 or the equivalent in foreign currency must be declared.
- Weapons, ammunition, explosive materials any type of blades only with permission from ministry of interior, otherwise strictly forbidden.
- Pets – of good health certificate, valid vaccination certificates that need to be approved at the nearest Saudi Arabian Embassy. The animal needs to be inspected by the quarantine officer upon arrival. As additional certification may be required, please contact the nearest embassy.
- Birds – to import any type of birds a permit from National Commission for Wildlife Conversion and Development is required.
- Medication – thoroughly documented, in original packaging and supplemented with doctor's note or proper prescription. An inspection by the Ministry of health's representative is required, for further details please contact the nearest embassy or Consulate.

- Electronic equipment for personal use may be checked for potential offensive material. Duty is payable for any type of electronic items, which might be refundable when the same items will be exported within 3 month period.

EXPORT RESTRICTION

- No country is self- sufficient in the production of all of this raw material. A healthy global steel industry requires that all of these materials be freely traded & widely available.
- The most commonly used restrictions on exports are export taxes. These are taxes on export of a given raw material.
- The tax can be expressed ad valorem (as a percentage of the value of exported good) or as a fixed tax (usually per ton).
- The tax is often applied to wastes and scraps, to encourage recycling of the scrap within the country.
- Export taxes may be combined with reference prices, the government- set prices on which taxes are calculated. Exports taxes can see, e.g., Metallurgical Consultants, Alloying of Steels.

MAJOR EXPORTER OF SAUDI ARABIA FOR INDIA

✓ YUSRA TRADING GROUP:

Company Name:	Yusra Trading Group
Business Type:	Manufacturer, Trading Company
Main Products:	Food, Clothing, Trade
No of Employees:	5-10 People.
Trade & Market	
Main Markets:	India, Africa, Srilanka
Export Percentage:	1% -10%
Factory Information	

Factory Size (sqr. Meters):	50,000-1,00,000 squares meters
Factory Location:	Hergeisa somaliland
Number of product Lines:	1
Number of R& D lines:	Less than 5 people
Number of QC Staff:	Less than 5 people.
Contract Manufacturing:	OEM service offered

✓ **ALI ABDULLAH SHAMI TRADING COMPANY & STEEL FACTOR COMPANY**:

Company Name:	Ali Abdullah Shami Trading Company & Steel Factory in Jeddah
Year Established:	2009
Business Type:	Manufacturer, trading Company, Distributor/ Wholesaler
Main Products:	Galvanized steel wire, steel wire rod in coil, safety attire EVELO trade mark lock, hand tools
Other products / Services:	Hammer, Adjustable wrench, cotton gloves, plastic gloves, warning column, steel nail, safety jacket, lock body, lock panel
Operational Address:	Dahabss street, Jeddah, Saudi Arabia

No. of Employees:	11 -50 people
No. R& d Staff:	21 – 30 people
No of QC Staff:	Less than people
Office Size:	101 – 500 square meters

POTENTIAL FOR IMPORT OR EXPORT IN INDIA FOR GUJARAT MARKET

About Gujarat:

Gujarat is known as the 'Petro capital of India'. The capital of Gujarat is Gandhi agar named after Mahatma Gandhi. The city of Surat is known for its domination in the diamond industry as a major center of diamond cutting & polishing. The Kandla port is one of the country's largest ports. The world's largest ship breaking yard in the world is located in Alang, Bhavnagar.

Some Samples of leading companies, which are based in Gujarat, are:

- ✓ **Parle** – one of India's largest manufacturers of biscuits, confectionary and juices.
- ✓ **Arwind Mills** – one of the top producers of denim in the world and largest producer in Asia.
- ✓ **Reliance Industries** – the largest grass- root refinery in the world is owned by reliance which is situated in Jamnagar refinery.

Import Procedures of India (Gujarat):

1. **Import of goods from outside of the country for the local market**

(Stages of completion of the transaction)

- Receive and check documents required for customs declaration.
- The application of tariff and customs laws.
- Collection of customs duties and registration fees.

✓ Documents necessary to complete this transactions:

- Import goods declaration form of the question.
- Delivery order from a shipping agent addressed to a licensed company by licensing agencies in the UAE.
- Original bill of Lading (for seaports)
- Import permit from the competent authorities in the event of importing restricted goods.
- Invoice from the original source entitled to a licensed importer in the country detailing total quantity goods description and total value for each item separately.
- Original certificate of origin approved by the Chamber of Commerce and Industry in the country of origin indicating the origin of the goods.
- A detailed packing list as per weight method of packing and HS code for each type of goods in the shipment.
- A copy of the business license issued by the state.

2. Temporary entry

Is the entry of goods through customs to the state on a temporary basis in order to participate in an exhibition or for the repair and maintenance of equipment and machinery or for rent and return the same previous state and get a deposits equivalent to the tariff on the total value of the goods of this type of transaction.

(Stages of completion of the transactions)

- Receive and check documents required for customs declaration.
- Write data on the bank guarantee if payment through a banking guarantee.

- Collection of registration fee as well as to me the amount of insurance, whether in cash or by check or by bank guarantee.
- Deliver client's own copies and keep a copy of customs and a copy of the bank guarantee.

✓ Documents necessary to complete this transaction:

- Delivery order from a shipping agent addressed to a licensed company by licensing agencies in the UAE.
- Original bill of lading (for seaport)
- Import permit from the competent authorities in the event of importing restricted goods.
- A letter from a licensed company described the purpose of exist of the goods, duration and total quantity and description of the goods and total value for each item separately described by their serial numbers.
- Invoice from the original source entitled to a licensed importer in the country detailing total quantity and description of the goods and total value for each item separately.
    - Original certificate of origin approved by the Chamber of Commerce and Industry in the country of origin indicating the origin of the goods.
    - A detailed packing list as per weight method of packing and HS code for each type of goods in the shipment.
    - A copy of the business license issued by the state.

REGISTRATION & LICENSING OF EXPORT FOR INDIA (GUJARAT)

✓ Exporter Registration:

To start with any export, one has to obtain import – export code number issued the office of the director general of Foreign Trade. In all foreign trade as well as foreign exchange documentation you have to mention IE code number, In case of export/ import of spices / spice products, Certificate of Registration as exporter of spices issued by the board is also required in addition to the IE code number. Spices Board issues Certificate of Registration as Exporter of spices (CRES) under Section 11 of the Spices Board Act. The documents to be furnished / formalities to be fulfilled for obtaining the certificate of Registration as Exporter of spices are as follows:

- Application in the prescribed form (form-1)
- Self attested copy of IE code certificate.
- Registration fee of Rs.2000/- in the form of crossed demand draft favoring "Spices Board". The DD should be drawn on any scheduled bank payable at "Er nakulum".
- Confidential Bank Certificate in prescribed format in sealed cover from your banker in support of your account/ financial status.
- Self certified / attested copy of partnership Deed / Memorandum & Articles of Association as the case may be (not applicable to Proprietorship firm.)
- Self certified / attested copies of Sales Tax Registration (CST /VST /VAT) certificate.
- Self attested copy of SSI certificate or the certificate issued by the Directorate of Industries in case of Manufacturer – exporter of Spices.
    - Self certificate copy of PAN card.
    - Passport size photo preferably with white background of the CEO or the designated officer of your firm duly mentioning the name of the person and the company represented for issue of ID card.

GENERAL PROVISIONS REGARDING IMPORTS AND EXPORTS FOR GUJARAT (MARINE INDUSTRY)

- **Exports and Imports free unless regulated:**

  Export and imports shall be free, except where regulated by FTP or any other law in force. The item wise export and import policy shall be, as specified in ITC (Hs) notified by DGFT, as amended from time to time.

- **Interpretation of Policy:**

  If any question or doubt arises in respect of interpretation of any provision contained in FTP or classification of any item in ITC (Hs) or HBP –v1 or HBP – v2, r schedule of DEPB rates (including content, scope or issue of an authorization there under) said question or doubt shall be referred to DGFT whose decision there on shall be final and binding.

- **Restricted Goods:**

  Any Goods, export or import of which is restricted under ITC (Hs) may be exported or imported only in accordance with an authorization or in terms of a public notice issued in this regard.

- **Free Exports:**

  All goods may be exported without any restriction except to extent such exports are regulated by ITC (Hs) or any other provision of FTP or any other law for time being in force.

- **Realization of Export proceeds:**

  If an exporter fails to realize export proceeds within time specified by RBI, he shall, without prejudice to any liability or penalty under any law in force, be liable to action in accordance with provision of FT (D&R) Act, Rules and Order made there under and FTP.

- ✓ **Export Promotion Councils (EPC):**

  Basic objective of export promotion councils is to promote and develop Indian exports. Each council is responsible for promotion of a particular group of products, projects and services as given in HBP – V1.

- ✓ **Registration cum Membership Certificate (RCMC):**

  Any person, applying for

- An Authorization to import / export, or
- Any other benefit or concession under FTP shall be required to furnish RCMC granted by competent authority in accordance with procedure specified in HBP – V1 unless specifically exempted under FTP certificate of registration as Exporter of Spices issued by Spices board shall be treated as registration cum – membership Certificate for the purpose under this policy.

- ✓ **Promotional Measures Market Access Initiative (MAI):**

  Under MAI scheme, financial assistance is provide for export promotion activities on focus country, focus product basis. Financial assistance is available for export promotion council, Industry and trade Association, agency of state government, India commercial mission abroad and other national level institutions entities as may be notified.

- ✓ **Meeting expenses for statutory compliance in buyer country for Trade related matters:**

  DOC provides for re imbursement of charges for fulfilling statutory requirement in the buyer country, including registration charges for product registration for pharmaceuticals, bio –technology and agro- chemicals products on recommendation of EPCs.

  Financial assistance is also provided for contesting litigations in the foreign country concerning restrictions etc. on particular product of Indian origin, as provided under the market access Initiative Scheme of DOC.

- ✓ **Towns of Export Excellence (TEE):**

A number of towns have emerged as dynamic industrial clusters contributing handsomely to India's exports, it is necessary to grant recognition to these industrial clusters with a view to maximizing their potential and enabling them to move higher in the value chain and tap new markets. Selected to producing goods of Rs. 750 Crore or more will be notified as TEE based on potential for growth in exports'. However for TEE in hand loom, handicraft, Agriculture and Fisheries sector that hold limit would be Rs. 150 Crores.

IMPORT REGULATIONS BY INDIA (GUJARAT) CUSTOMS

✓ Free Import

- 200 cigarettes or
- 50 cigars or
- 250 grammes of other tobacco products
- Up to 2 items of Wines or a alcoholic beverages
- 59 ml of perfume
- 250 ml toiletries
- Authorized personal goods
- An unlimited amount of foreign currency can be imported into the country, Sums equaling US10000 in local currency must be declared upon entry, Foreign travelers can't take more foreign currency with them then the amount they entered India with but sums less than US 10000 generally will not need to be declared.

✓ Prohibited

The following items are banned from entering or leaving the country unless under certain circumstances or limitations.

- Illegal drugs
- Firearms and ammunition – unless permission has been obtained
- Knives and deadly weapons

- Pets and other Live animals – unless permission has been obtained
- Bird and Bird products – eggs and feathers
- Endangered plants
- Plants and Plant products – unless permission has been obtained
- Radio transmitters
- Culturally important or valuable antiques
- Counterfeit money and goods
- Pornographic material

✓ Restricted

- Species of wild life including ivory, musk and animal skins are prohibited from leaving the country
- Unless taken by a native of the country, Indian currency is expressly prohibited from leaving India.
- Plants and Plant products such as seeds or fruits are prohibited without prior permission.
- Travelers of Indian origin returning home or visitors entering the country from Pakistan, China or other countries may have different restriction regarding the amount and nature of items that can be imported into the country.
- Travellers of Pakistani origin will likely be required to undergo additional customs producers before being granted permission to enter or leave the country.
- All Indian currency is prohibited from being imported or exported out from the country by foreign travelers, Indian residents going or returning from a holiday abroad can freely take or bring in up to Rs. 7500.

EXPORT REGULATION BY INDIA (GUJARAT) CUSTOMS

✓ Free Export

- Alcoholic beverages
- Personal clothing and items for personal use.

✓ Prohibited

- Illegal drugs
- Firearms and ammunition – unless permission has been obtained
- Knives and deadly weapons
- Pets and other Live animals – unless permission has been obtained
- Endangered plants
- Plants and Plant products – unless permission has been obtained.
- Pigs and pig meat products
- Pornographic materials

✓ Restricted

- Export of human skeleton is absolutely restricted whereas export of cattle is allowed against an export license.
- The central govt. has issued many notifications to restricted export of sensitive goods such as coins, obscene books, printed waste paper containing pages of any holy books, armored guard, fictitious stamps, explosives, narcotic drugs, rock salt, saccharine.

COMPOSITION OF INDIAN (GUJARAT) EXPORTS

✓ Primary products

India's export of primary product mainly consists of agricultural and allied products and ore and minerals.

✓ Agricultural products

Agricultural sector during the 50 years of independence remains impressive at 2.7% per annum. Agriculture and Allied products as a group include Cereals, Pulses, Tobacco, Spices , Nuts and seeds, Oil , Meals , Castor oil , Shellac, Sugar & Molasses ,Processed food, Meat and Meat Products etc.

✓ Ores and Minerals

Exports of ore and minerals were estimated at US $ 2884.1 million during 2009-10, registering a negative growth of 35.5 % over the same period of the previous year. Sub groups viz. Processed Minerals, has recorded a negative growth of 28.9 % and coal a positive growth of 40.4 % respectively.

✓ Manufacturing Goods

India's export of manufacturing goods mainly consists of Gems & jewellery, Engineering goods, Chemicals and related products, Leather and Manufacturers, Textiles and its products.

✓ Gems and Jewellery

The export of gems and jewellery during 2009-10 decreased to US 4 13608.4 million from Us $ 17387.7 million during the corresponding of last years showing a negative growth of 21.7%.

✓ Chemicals and Related Products

During the period 2009-10, the value of exports of Chemicals and allied Products decreased to US $10550.0 million from US $ 13228.1 million during the same period of the previous year registering a negative growth of 20.2%. Rubber, Glass & other Products, Residual Chemicals & Allied Products and

Basic Chemicals, Pharmaceuticals & Cosmetics and Plastic and Linoleum have also registered a negative growth.

✓ Engineering Goods

Items under this group consist of machinery, Iron & Steel and other Engineering items. Export from this sector during the period 2009-10 stood at US $15143.7 million compared with US $ 23214.0 million during the same period of the previous year, registering a negative growth of 34.8%. Export of machine tools and transport equipment has registered negative growth of 42.6% and 19.1% respectively.

✓ Textiles

During the period 2009-10, the value of textiles exports was estimated at US $ 8657.3 million compared with US $ 10151.5 million in the corresponding period of the previous year, recording a negative growth of 14.7%. The export of Natural Silk Textiles registered a negative growth of 31.0% and Manmade Textiles & Made Upshaw shown a positive growth of 2.4%.

✓ Handicrafts and Carpets

Exports of Handicrafts declined to US $ 94.6 million during 2009-10 from US $ 167.2 million during the corresponding period of the previous year registering a negative growth of 43.4 %. Exports of Carpets increased marginally to US $ 427.9 million during the same period last year registering a positive growth of 2.3 %.

BUSINESS OPPORTUNITY IN FUTURE

➢ Research and Markets: Opportunities in Saudi Arabian Steel Sector

The amount of steel that a country consumes is considered as one of the benchmark for measuring the degree of economic growth the country has witnessed. The entitled Opportunities in Saudi Arabian Steel Sector provide a comprehensive and crisp analysis of the current status and overall growth of the Saudi Arabian Steel Sector. The report provides an insight into the behavior of the prominent value chain determinants of the steel industry such as production, consumption and import/export substantiating key findings with necessary statistics. The report also studies hoe the growth and investment in the kingdoms construction sector is driving the steel demand in the country. Thus, the information available in the report is expected to enable the target audience in understanding the contemporary industry scenario. Opportunities in the Steel Sector are an outcome of the in-depth research and comprehensive analysis of the Saudi Arabian Steel Sector. The RIS research team has attempted to examine the impact of the removal of import duty from the GCC countries on the kingdom's steel sector. The Report studies the impact of internal and external fluctuations on the country's steel prices. Moreover, the report provides a competitive landscape of the sector and sheds light on the operation of the key players. This is expected to assist clients in taking informed business decisions.

➢ Opportunities in the Gulf Market: With Metal & Steel – 2013

Metal & Steel is the only truly steel focused show in the Gulf region for steel, foundry and metallurgy industry: putting Gulf and Saudi Arabia under the microscope, Right from the outset. It has firmly established itself as a solid platform for industry professionals in the region and a must-attend show for manufactured, distributors, decision makers and contractors, etc.

Metal & Steel – 2013 will be moving to an exciting new venue and big business city will undoubtedly raise the profile of the event to a completely new level, whilst the timeslot will ensure that it does not just appeal to visitors from the region, but also those looking for a global meeting place. In 2013, edition will be the perfect opportunity for you to maintain and improve your presence in the regional market. Since its inception in Saudi Arabia last year, we have worked endlessly to get the Metal & Steel brand into the Gulf & Saudi Arabia, and provide you the exhibitor with the best possible, highest profile regional and global profile.

- **Saudi Arabia's $385 billion construction boom with U.S.**

Saudi Arabia comprises the largest construction market in the whole of the Middle East with multi- billion dollar projects under way and many more in the planning stage by both the public and private sectors.

In 2010, it has invested on the infrastructure and public sector building $80billion with planned spending $385billion between 2011-2015. Plans include building 600 new factories, schools, doubling desalination capacity, increasing electrical generation and distribution. Some 6, 00,000 new homes are to be built in the next four years with many more planned.

The growth is primarily likely to be led by residential development and mixed use project apart from infrastructure projects fuelled by the large demands supply gap in the residential segment and the large disposable incomes of the predominantly native and largely urbanizing young population of the kingdom.

- **Oil and Gas Continues to be the Pivotal Industry with India**

The world's largest producer of oil and an important world player in natural gas, with an oil output of nearly 8 million barrels per day and holding gas reserves of up to 230 trillion cubic feet as of 2010, Saudi Arabia continues to be a dominant player in the world oil and gas markets in spite of its efforts to diversify and encourage greater contributions of other sectors to its GDP.

As of 2011, the oil and gas sector contributed nearly half of the country's GDP. Due to its strategic importance not only in funding its ambitious diversification programmers, but also its role in regulating global oil prices, this sector continues to be dominated by government owned corporation. While the government has plans to spend nearly RS.4000/- billion in various oil and gas projects across the kingdom, it also aims to attract global investment in the sector to the tune of $1 trillion over a period of fifteen to twenty years in bolstering this cash rich sector. The estimated value of construction contracts expected to be awarded in the oil and gas sector between the years 2010 to 2014. However, high regulations and fluctuating oil prices continue to be the key challenges towards the government achieving these goals.

➢ Saudi Arabia accounts for 75% of GCC petrochemical production

Petrochemicals industry is the second largest industry in Saudi Arabia. In recent year's investment in petrochemicals have increased aiming to exploit the great potential of the sector. There were large players in this sector for decades, such as the state owned Saudi Aram co and the Saudi Basic Industries Corporation (SABIC). These companies are ranked among the world's largest petrochemicals producers. In, Saudi Arabia there are large proven deposits of hydrocarbons, chemical compounds, ethylene and propylene, benzene and xylem isomers that gives great prospects to the country and the region industrially.

The Middle East is probably the most important influence on the global petrochemicals industry and Saudi Arabia accounts 75% of GCC petrochemicals production, a major part is exported and it is mainly concentrated in the industrial cities of Jubal and Yanbu. The Kingdom's petrochemicals industry enjoys a natural competitive advantage due to the availability of low cost feedstock on account of vast crude oil and natural gas resources.

➢ Opportunity for working in steel industry:

- **Career opportunities**

The steel industry employs people with many different skills and diverse knowledge, who have the ability to work in multi-disciplinary teams. These include metallurgy, materials science, physics, chemistry, engineering as well as mathematics, IT, language, business, accountancy and many other subjects. Steel companies can offer challenging and rewarding careers, often in an international context with opportunities to travel and experience many cultures. Employees can quickly gain experience, responsibility and leadership. Training and recruitment opportunities are available in most steel companies in various functions, including

i. Manufacturing and production
ii. Engineering and process development
iii. Technology
iv. Research and development
v. Market and product development
vi. Commercial
vii. Purchasing
viii. Finance
ix. Logistics
x. Strategy
xi. Human Resources

- **Employee safety and Health**

A safe working environment for all employees is the number one priority for steel companies. Safety requires a permanent 1005 commitment from everyone in a steel plant. Most importantly, safety requires commitment from senior management, which sets the culture in which everyone knows that safety must not be compromised for any other objective. The most successful steel companies are also the safest.

i. Accidents still occur at steel plants worldwide. However, they are consistently decreasing in proportion to hours worked at most companies.
ii. To prevent work related accidents, steel companies implement safety policies to improve employee training and awareness.
iii. Companies adopt Occupational Safety and Health (OSH) - Management system to report, record and notify work- related injuries, fatalities and incidents.

- **Employee training and Education**

i. An effective employee training programmed limits job turnover and can bring increased innovation in strategies and products, resulting in improved operations.

ii. On average, steel companies provided each employee with 10.4 training days in 2006. Some companies report providing over 40 training days per employee per year, largely computer based but also class room and on-the-job training. This training may involve various delivery methods such as classroom instruction, computer-based training or on-the-job instruction.