MIT | School of Distance Education

A PROJECT REPORT

ON

"A STUDY OF EXPORT PROCEDURE"

UNDERTAKEN AT

"MIT School of Distance Education"

IN PARTIAL FULFILMENT OF

"PGDM -Suply chain and logistics"

MIT SCHOOL OF DISTANCE EDUCATION, PUNE.

SUBMITTED BY

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MIT SCHOOL OF DISTANCE EDUCATION PUNE - 411 038

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PROJECT CERTIFICATE

This is to certify that **Mr. Nilesh J Gadhave** a student of the PGDM for **Logistics & Supply Chain Management (Student ID - MIT2022N01418)** has completed his project On.

"A STUDY OF EXPORT PROCEDURE"

Mr. Swanand Joshi

Operation Leader
CGL OPERATIONS

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I would like to thank Cummins India Ltd- IPDC for offering me a unique platform to harness my knowledge and skills in the field of Packaging by providing me the opportunity to work on various live projects.

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Sign: - Nilesh

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At last, but not least, I am thankful to my Family and Friends for their moral support, endurance and encouragement during the course of the project.

Sign: -

Name: -

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ABSTRACT

1.7 Vision & Mission

Vision:

Making people's lives better by unleashing the Power of Cummins.

Mission:

1. Motivating people to act like owner working together.
2. Exceeding customer expectants is on by always being first to market with the best product.
3. Partnering with our customers to make sure they succeed.
4. Demanding that everything we do leads to a cleaner, healthier and safer environment.
5. Creating wealth for all stakeholders.

Values of company:

Integrity:

Strive to do what is right and do what we say we will do.

Innovation:

Apply the creative ingenuity necessary to make us better, faster & first.

Delivering Superior Results:

Exceed expectations consistently.

Corporate Responsibility:

Serve and improve the communities in which we live.

Diversity:

Embrace the diverse perspectives of all people and honor both with dignity and respect.

Global Involvement

Seek a world view and act without boundaries.

1.8 Historical Background:

Introduction of Company

Cummins Inc, a global power leader, is corporation of complementary business units that design, manufacture, distribute & service engines and related technologies, including fuel system, control, air handling, filtration , emission solution and electrical power generation system . Headquartered in Columbus, Indiana (USA), Cummins serves customers in approximately 190 countries and territories through a network of more than 500 Company – owned and independent distributor locations and approximately 5200 dealer location. Cummins reported; net income $428 million on sales of $10.8 in 2009.

Cummins Inc. forayed into India in 1962with largest, 100-acre campus in Kothrud, Pune. This is Headquarter of Cummins in India. since then, in its 48 – Year long journey it has expanded its business across 200 locations in the country with a combined turnover of approximately Rs 6300 crores and employing over 11,000 individuals.

History of Cummins

Cummins India Limited started as a joint venture of two giant diesel engine manufactures. One of them was the Indian gain, Kirloskar and the other was the 'Cummins Engine Company was founded by Mr. Clessie L Cummins and Mr. W Irwin; in Columbus, Ohio in February 1919. It was named after the founder Mr. Clessie L Cummins. The first diesel engine manufactured by the company was in 1929, It was a 6 HP Diesel Engine for farming and marine operation. In the year 1962. Kirloskar & Cummins decided to start joint venture that came into existence in the year 1962. The company was named as Kirloskar Cummins Ltd. In 1997, name of Kirloskar Cummins Ltd. Was changed to Cummins India Limited due to taking over of 51% share by Cummins Inc.

Cummins Code of Business Conduct

1. We will follow the law everywhere.
2. We will embrace diverse perspectives and background and treat all people with dignity and respect.
3. We will compete fairly and honestly.
4. We will demand that everything we do leads to a cleaner, healthier and safer environment.
5. We will protect our technology, our information and our intellectual property.
6. We will demand that our financial records are accurate and that our reporting processes are clear and understandable.
7. We will strive to improve our communities.
8. We will create a culture where all employees take responsibility for ethical behavior.

<u>Cummins Operating System</u>

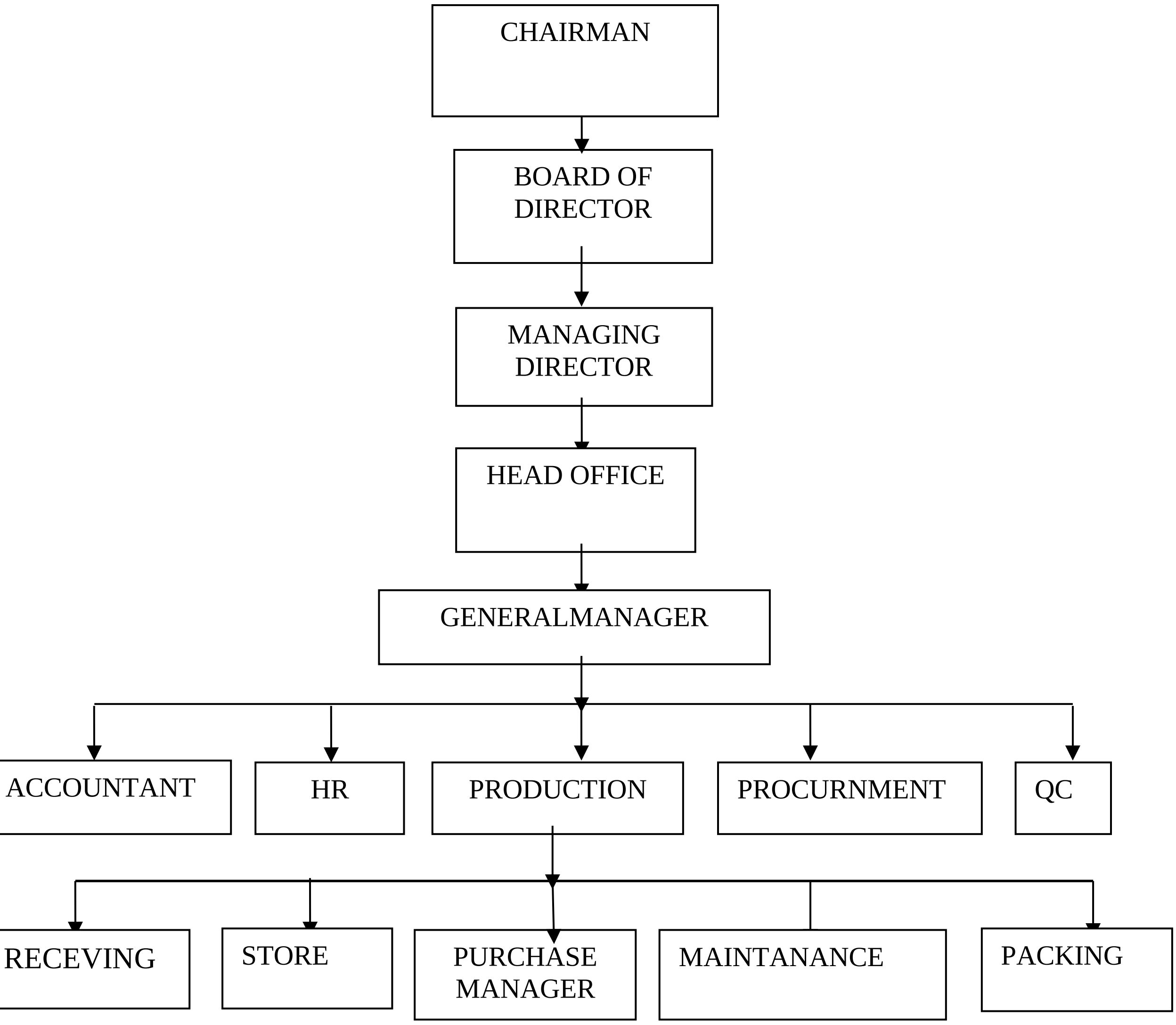
The 10 COS Practices of Cummins

1. Put the customer first and provide real value.
2. Synchronies flows (Material, Physical & Information).
3. Design quality in every step of process.
4. Involve people and promote teamwork.
5. Ensure equipment and tools are available and capable.
6. Create functional excellence.
7. Establish the right environment.
8. Treated preferred suppliers as partners.
9. Follow common problem-solving techniques.
10. Use Six Sigma as the primary Process improvement method.

<u>GOAL OF CUMMINS:</u>

ALL EMPLOYEES UNDERSTAND THE COMPANY'S CORE VALUES AND BELIEFS AND LIVE THEM OUT EVERY DAY WITH ALL STAKEHOLDERS.

1.9 Organization structure:



1.10 Product Profile:

This is a warehouse management do receive, inbound, outbound, packaging Movement of the material with help of the Material handling equipment.

- Forklift
- Reach Truck
- High level order picker
- Crane

2. Export Procedure

2.1 INTRODUCTION

Export procedure consists of several commercial and regulatory formalities, which an exporter is required to complete during the course of export trade transactions. These formalities are very complex and time-consuming and involve considerable documentation. Hence, the exporters must possess adequate knowledge of such formalities. At the same time, it should be ensured that the rules- and regulations of not only exporting country but also of importing Country are duly complied with. Last but not least, it should be ensured that all the required documents, whether commercial or regulatory, are prepare and filed with the appropriate authorities.

2.2 REGISTRATION STAGES

The exporter is required -to register his organization with a number of institutions and authorities, which directly or indirectly help him in the smooth conduct of export, trade.

The registration stage includes:

1. Registration of the Organization: -

The form of organization selected by the exporter must. Be registered under the appropriate Act of. the country.)

- A joint stock company under the Companies Act, 1956.
- A partnership firm under the Indian Partnership Act, 1932.
- A sale trader should seek permission from the local authorities.
  as required.

2.Opening-Bank Account: -

The exporter should open a current account in the name of the firm or company with a commercial bank which is authorized by the Reserve Bank of India (RBI) to deal in foreign exchange. Such bank also serves as a source of pre-shipment and post-shipment finance for the exporter.

3.Obtaining Importer Exporter Code Number (lEC No.): -

Prior to 1.1.1997, it was obligatory for every exporter to obtain CNX number from the RBI. However, since then, IEC number issued by the Director General for Foreign Trade (DGFT) has replaced the CNX number. The application form for obtaining IEC number should be accompanied by fee of Rs. 1000.

4.Obtaining Permanent Account Number (PAN): -

Export income is subject to a number of exemptions and deductions under different sections of the Income Tax Act. For claiming such exemptions and deductions, the exporter should register his organization with the Income Tax Authorities and obtain the Permanent Account Number (PAN).

5.Obtaining Sales Tax Number: -

Exportable goods are exempted from sales tax, provided, the 'exporter or his firm is registered with the Sales Tax Authorities. For this purpose, the exporter is required to make an application in the prescribed form to the' Sales Tax Office (STO) in whose jurisdiction his {exporter's). Office is Situated

5.Registration with Export Promotion Council (EPC): -

It is obligatory for every exporter to register with the appropriate Export Promotion Council (EPC) and obtain the 'Registration-cum-Membership Certificate' (RCMC). The benefits provided in the current EXIM Policy are extended only to the registered exporters having valid RCMC.

6.Registration with ECGC: -

The exporter should also register with the Export Credit and Guarantee Corporation of India (ECGC) in order to secure overseas payments against political and commercial risks. It also helps the exporters in obtaining the financial assistance from commercial banks and other financial institutions.

7.Registration with other Authorities: -

The exporter should also register with various other authorities, such as:

- Federation of Indian Export Organization (FIEO), Indian Trade Promotion Organization (ITPO)

 Chambers of Commerce (COC),

 Productivity Councils, etc.

2.3 SHIPMENT STAGES

Export, cargo can be exported to the overseas buyer by sea, air or land. However, shipment by sea is the most popular and generally resorted to, as it is comparatively cheaper. Besides, the ship's capacity is far greater than other modes of transportation. Nevertheless, transportation by air is utilized for export of expensive items like, diamonds, gold, etc.

The shipment stage includes the following steps.:

a. Reservation of Shipping Space: -

Once the export contract is finalized, the I exporter reserves the required space in the vessel for shipment. On accepting the exporter's request, the shipping company issues a Shipping Order. The original copy of the shipping order as given to the exporter and the duplicate instruction by the shipping company to the commanding officer of the ship that the goods as per the details given should be received on board.

b. Arrangement of Internal Transportation up to the Port of Shipment: -

The exporter makes necessary arrangements for transportation of goods to the port either by road or railways. On loading goods into the railway wagon, the railway authorities issue a 'Railway Receipt', which may be either 'freight paid' or 'freight to pay'. It serves as a title to the goods. The exporter doses the railway receipt in favor of his agent to enable him to take delivery of the goods at the port of shipment.

c. Preparation and Processing of Shipping Documents: -

As the goods reaches the port of shipment, the exporter should issue detailed instructions to the C&F agent for the shipment of cargo along with a complete set of the documents listed below: -

 Letter of Credit along with the export contract or export order

 Commercial Invoice (2 copies)

Packing List or Packing Note.

 Certificate of Origin.

 GR Form (original and duplicate)

 ARE-I Form.

 Certificate of Inspection, where necessary (original copy)

 Marine Insurance Policy.

d. Customs Clearance: -

The cargo must be cleared from the Customs before it is loaded on the ship. For this, the above-mentioned documents, along with five copies of shipping bill, are to be submitted to the Customs Appraiser at the Customs House. The Customs Appraiser ensures that all the formalities relating to exchange control, quality control, pre-shipment inspection and licensing have been complied with by the exporter. After verification, all documents, except the original GR, original copy of Shipping Bill and one copy of Commercial Invoice, are returned to the C&F agent.

e. Obtaining 'Carting Order' from the Port Trust Authorities: -

The C&F agent, then, approaches the Superintendent of the concerned Port Trust for obtaining the 'Carting Order' for moving the cargo inside the dock. After obtaining the Carting Order, the cargo is physically moved into the port area and stored in the appropriate shed.

f. Customs Examination and Issue of 'Let Export Order: -

The Customs Examiner at the port of shipment physically examines the goods and seals the packages in his presence. The same can be arranged for at the factory or warehouse of the exporter by making an application to the Assistant Collector of Customs. The Customs Examiner, if satisfied, issues a formal permission I' for the loading of cargo on the ship in the form of a 'Let Export Order'.

g. Obtaining 'Let Ship Order' from the Customs Preventive Officer: -

Let Export Order' must be supplemented by a 'Let Ship Order' issued by the Customs Preventive Officer. The C&F agent submits the duplicate copy of Shipping Bill, duly endorsed by the Customs Examiner, to the Customs Preventive Officer who endorses it with the 'Let Ship Order'.

h. Obtaining Mate's Receipt and Bill of Lading: -

The goods are then loaded on board the ship for which the Mate or the Captain of the ship issues Mate's Receipt to the Port Superintendent the Port Superintendent, on receipt of port dues, hands over the Mate's Receipt to the C&F Agent. The C&F Agent surrenders the Mate's Receipt to the Shipping Company for obtaining the Bill of Lading. The Shipping Company issues two to three negotiable and two to three non-negotiable copies of Bill of Lading.

2.4 PRE- SHIPMENT STAGE

Pre-shipment stage consists of the following steps:

a. Approaching Foreign Buyers: -

In order to secure an export order, a new exporter can make use of one or more. of the techniques, such as,' advertising in international media, sales promotion, public relation, personal selling, publicity and participation in trade fairs and exhibitions.

b. Inquiry and Offer: -

An inquiry is a request from a prospective importer about description of goods, their standard or grade, size, weight or quantity, terms of payments, etc. On getting an inquiry, the exporter must process it immediately by making an offer in the form of a Performa invoice.

c. Confirmation of Order: -

Once the negotiations are completed and the terms and conditions are finalized, the exporter sends three copies of Performa Invoice to the importer for the confirmation of order. The importer signs these copies and sends back two copies to the exporter.

d. Opening Letter of Credit: -

The documentary credit or letter of credit is the most appropriate and secured method of payment adopted to settle international transactions. On finalization of the export. Contract, the importer opens a letter of credit in favor of the exporter, if agreed upon in the contract.

e. Arrangement of Pre-shipment Finance: -

On securing the letter of credit, the exporter procures a pre-shipment finance from his bank for procuring raw materials and other components, processing and packing of goods and transfer of goods to the port of shipment.

f. Production or Procurement of Goods: -

On securing the pre-shipment finance from the bank, the exporter arranges for the production of the required goods. or procures them from the domestic market as per the specifications of the importer.

g. Packing and Marking: -

Then the goods should be properly packed and JXl8.rkedwith necessary details such as port of shipment and destination, country of origin, gross and net weight, etc. If required, assistance can be taken from the Indian Institute of Packing (IIP).

h. Pre-shipment Inspection: -

If the goods to be exported are subject to compulsory quality control and pre-shipment inspection, then the exporter should contact the Export Inspection Agency (EIA). For obtaining an inspection certificate

i. Central Excise Clearance: -

The exporters are totally exempted from the payment of central excise duty.

However, the exemption should be claimed in one of the following ways: -

- Export under Rebate.
- Export under bond.

j. Obtaining Insurance Cover: -

The exporter must take appropriate policies in order to insure risks: -

- ECGE policy in order to cover credit risks.
- Marine policy, if the price quotation agreed upon is CIF.

k. Appointment of C&F Agent: -

Since exporting is a complex and time-consuming process, the exporter. should appoint a Clearing and Forwarding (C&F) agent for the smooth clearance of goods from the customs and preparation and submission of various export documents.

2.5 POST SHIPMENT STAGE

The post-shipment stage consists of the following steps: -

Submission of Documents by the C&F Agent to the Exporter: -

On the completion of the shipping procedure, the C&F agent submits the following documents to the exporter: -

- A copy of invoice duly attested by the Customs.
- Drawback copy of the shipping bill.
- Export promotion copy of the shipping bill.
- A full set of negotiable and non-negotiable copies of bill of lading.
- The original L/C, export order or contract.
- Duplicate copy of the ARE-I forms.

b. Shipment Advice to Importer: -

After the shipment of goods, the exporter intimates the importer about the shipment of goods giving him details about the date of shipment, the name of the vessel, the destination, etc. He should also send one copy of non-negotiable bill of lading to the importer.

Presentation of Documents to Bank for Negotiation: -

Submission of relevant documents to the bank and the process of getting the payment from the bank is called "Negotiation of the Documents" and tile documents are called Negotiable Set of Documents.

The set normally contains: -

 Bill of Exchange, Sight Draft or Usance Draft.

 Full set of Bill of Lading or Airway Bill.

 Original Letter of Credit.

 Customs Invoice.

 Commercial Invoice including one copy duly certified by the Customs.

 Packing List.

 Foreign exchange declaration forms, GR/SOFTEX/PP forms in duplicate.

 Exchange control copy of the Shipping Bill.

 Certificate of Origin, GSP or APR Certificate, etc.

 Marine Insurance Policy, in duplicate.

d. Dispatch of Documents: -

The bank -negotiates these documents to the importer's bank in the manner as specified in the L/C. Before negotiating documents, the exporter's bank scrutinizes them in order to ensure that all formalities have been complied with and all documents are in order. The bank then sends the Bank Certificate and attested copies of commercial invoice to the exporter.

e. Acceptance of the bill of exchange: -

Bill of Exchange accompanied by the above documents is known as the Documentary Bill of Exchange. It is of two types: -

 Documents against Payment (Sight Drafts): -

In case of sight draft, the drawer instructs the bank to hand over the relevant documents to the importer only against payment.

 Documents against Acceptance (Usance Draft): -

In case of usance draft, the drawer instructs the bank to hand over the relevant documents to the importer against his 'acceptance' of the bill of exchange.

(d). Letter of Indemnity: -

The exporter can get immediate payment from his bank on the submission of documents by signing a letter of indemnity. By signing the letter of indemnity, the exporter undertakes to indemnify the bank in the event of non-receipt of payment from the importer along with accrued interests.

(e) Realization of Export Proceeds: -

On receiving the documentary bill of exchange, the importer releases payment in case of sight draft or accepts the usance draft undertaking to pay on maturity of the bill of exchange. The exporter's bank receives the payment through importer's' bank and is credited to exporter's account.

(f) Processing of GR Form: -

On receiving the export proceeds, the exporter's bank intimates the same to the RBI by recording the fact on the duplicate copy of GR. The RBI verifies the details in duplicate copy of GR with, the original copy of GR received from the Customs. If the details are found to be I in order, then the export transaction is treated to be completed.

(g) Realizations, of Export Incentives: -

If the exporter is eligible for export incentives, then he should submit claim for the same accompanied by the bank certificate to the appropriate authority.

2.6 QUALITY CONTROL AND PRE-SHIPMENT INSPECTION CONCEPT OF QUALITY

Quality of a product is defined as a set of attributes or specifications including packaging specifications in relation to a given product. It is the manufacturer who first decides the quality of a product before introducing it in the market. This may be done keeping in view the national or the international standards of quality as laid down by the respective national or international standards bodies. The level of quality -

high medium or low-depends upon how rich or poor these specifications are. It the specifications are of very high order, the level of quality would be high; on the other hand, if the specifications are poor or weak, then the quality would be termed as low quality. Between the high and low quality lies the medium range of the quality. These quality specifications may then be modified during negotiations with the foreign buyer to suit his/ her requirements. Finally, the quality of the export product is determined with reference to the specifications as laid down by the buyer. Thus, quality should be understood in its relative sense and not in the absolute sense of the term.

NEED FOR PRE-SHIPMENT INSPECTION

An exporter faces competition not only from the fellow exporters from his own country but also from other Countries. He should formulate a proper quality strategy to gain a competitive edge over others in the market. The goods should be properly inspected to ensure that the quality of the export goods is maintained as desired by the buyer. Goods of poor-quality spoil not only their own market but also bring bad name to the image of the country itself. It is, thus, in the business interest of the exporter to send shipment of the right quality to the buyer. This would also facilitate effective penetration and sustenance in the export markets by improving the brand image of the goods. The Government of India had also recognized the need for effective pre-shipment inspection long back in 1963 itself when the Export (Quality Control and Inspection) Act, 1963 was enacted to provide for sound development of the export trade through quality control and pre-shipment inspection.

TYPES OF PRE-SHIPMENT INSPECTION

There are primarily two different types of pre-shipment inspection namely:

I. Voluntary Inspection

II. Compulsory Inspection

1.Voluntary Inspection

The following are the different forms of voluntary pre-shipment inspection.

of the export shipments: -

1. By the exporter himself.

2. By the buyer's representative.

3. By the buying agent in the exporter's country.

4. By the inspection agencies in the private sector.

2.Compulsory Inspection

Compulsory pre-shipment inspection is conducted by the following agencies.

of the Government of India: -

 Export Inspection Council through its Export Inspection Agencies

 Textile Committee

 Development Commissioner (Handicrafts)

 Central Silk Board

2.7 CENTRAL EXCISE FORMALITIES: -

It is common practice all over world that the exports are not to bear the burden of indirect taxes export goods are either exempted from such taxes or these taxes are levied at the central, state and local levels on the inputs as well as on the final products. Import and excise duties levied on production and packing inputs are refunded under the Drawback Rules. Central Excise duties on the inputs used in manufacturing export products as well as on final export products is either exempted through production under bond or is refunded after export. The Government of India has laid down procedure for either getting the duty refunded or exemption from payment of duty.

EXCISE DUTY REFUND

Excise duty is a tax imposed by the Central government on goods manufactured in India. This duty is collected at source, Le., before removal of goods from the factory premises. The' exporters are totally exempted from the central excise duty. However, necessary clearance must be obtained by the exporter in one of the following ways: -

(a)Export under Rebate: -

Under this system, an exporter is required to pay excise initially and can claim it from the Central Excise department after the shipment of goods. However, this leads to blockage of finance.

(b) Export under Bond: -

Under this system, an exporter is required to execute a bond, in favor of excise authorities, for a sum equivalent to the amount of excise chargeable on such goods. Such bond should be supported by an appropriate bank guarantee to safeguard excise department's financial interest against non-sanctioning of excise refund.

PROCEDURAL FORMALITIES

Let us now discuss various procedural formalities of excise rebate.

Refund Procedure under Rule 12: The authorities involved in the Rule are.

i) Jurisdictional Central Excise Authority known as Central Excise Range Superintendent under whose jurisdiction the manufacturing unit is located.

ii) Maritime Central Excise

Authority located at the port. Rebate may be either claimed from Jurisdictional Assistant Collector of Central Excise or Maritime collector.

The documents required under Rule 12 are: -

1. Invoices to be filled in four copies.

2. AR 4/AR 5 Form to be filled in six copies.

The procedure followed is as under: -

i)The exporters prepare four copies of Invoices giving all detail of the consignment.

ii)The excisable goods, which are to be exported under claim for rebate, are to be marked as export cargo 'in individual packages.

iii) These marks and numbers are to be specified on AR4/AR5 Forms, all the 6 copies. Personal Ledger Account (PLA) is to be filled in specifying the amount of duty applicable to the export consignment as debit. In PLA the credit balance of the deposit account spent by the individual manufacturer with the central excise authority is shown. Each time when goods are cleared, the amount of duty applicable to the goods to be cleared is debited and the balance is shown in the balance column.

iv) All 6 copies of AR4/ AR5 Form are to be presented to the Range Superintendent before clearance of the cargo. Under the Self-Removal Procedure (SRP) Presence of the central excise officer at the factory at the time of clearance is not necessary. But in those cases where physical examination by the central excise officer is solicited before the clearance of the cargo, 6 copies of AR4/AR5 Forms should be presented to the Range Superintendent at least 24 hours before the goods are to be removed from the factory.

v) After verifying the details given in the afore-mentioned documents, the Range superintendent allows clearance of the cargo from the factory for onward transmission to the port of shipment. Following endorsement are to

be given in all the 6 copies of AR4/ AR5 Forms. "Allowed to export under claim for Central Excise Rebate".

vi) The original and duplicate copies of AR4/ AR5 Forms are handed over to the exporter; the triplicate copy is sent to the Maritime Central Excise Collectorate-Refund section, having jurisdiction over the port wherefrom the goods are to be shipped; the fourth copy is sent to the Chief Accounts officer (CAD) of the Maritime Central Excise Collectorate concerned; the 5th copy is retained by Range Superintendent for his record and future reference. The sixth copy is also to be given to exporter or his authorized agent.

vii)The original, duplicate, and sextuplicate copies of AR4/AR5 Forms are to be submitted to the Export Department of Customs House along with other shipping documents to prove that formal central excise clearance has been obtained from the jurisdictional Central Excise Authority.

viii)If custom officer is satisfied, he would make endorsements in the original, duplicate and sextuplicate copies of AR4/AR5 Forms. The office returns original and six triplicate copies to the exporter and sends duplicate copy to the Rebate sanctioning Authority.

ix) Rebate claim may be filed either from Maritime Collector or Jurisdictional Assistant Collector of Central Excise.

<u>x) Following documents should be filed for claiming rebate:</u>

a) Application in prescribed form.

b) original copy of AR4/AR5 Form.

c) Duplicate copy of AR4 in sealed cover received from customs officer, if required

d) Duly attested (copy of Bill of lading

e) Duly attested copy of shipping Bill (Export promotion copy)

f) Disclaimer certificate in case where claimant is other than exporter.

CONDITIONS FOR CENTRAL EXCISE CLEARANCE

As a part of further simplifications and rationalization of excise rules announced by the finance minister, a new set of Central Excise Rules, 2001 has come into effect from 1 st March 2002. The procedure for export of excisable goods (Except to Nepal and Bhutan) are subject to certail1) conditions and limitations:

CONDITIONS AND LIMITATIONS: - (UNDER PAYMENT OF EXCISE DUTY)

(a) The excisable goods can be exported directly from a factory or warehouse after the payment of excise duty.

(b) The excisable goods must be exported within 6 months from the date on which they were cleared for export from the factory of manufacturer or his warehouse.

(c) The market price of the excisable goods at the time of exportation is not less than the amount of rebate of duty claimed. The amount of rebate of duty admissible is not less-than Rs. 500

CONDITIONS AND LIMITATIONS: - (WITHOUT PAYMENT OF EXCISE DUTY)

(a) The exporter is required to furnish a General Bond (Surety or Security) to the Assistant Commissioner of Central Excise or the Maritime Commissioner for a sum equivalent to the duty chargeable on the goods.

(b) The excisable goods must be exported within 6 months from the date on which they were cleared for export from the factory of manufacturer or his warehouse.

PROCEDURE FOR CENTRAL EXCISE CLEARANCE: -

The following is the procedure for obtaining central excise clearance: -

(a) Application to the Assistant Collector of Central Excise (ACCE): - .

"The exporter is required to make an application to the Superintendent or the Inspector of Central Excise, having jurisdiction over the factory of production or warehouse of the exporter, by filling up four copies of ARE-I form having the following distinctive colors for easy verification and processing:

1.Original-White.

2.Duplicate-Buff.

3. Triplicate - Pink.

4.Quadruplicate - Green.

5. Extra Copy - Blue.

(b) Information to the Range Superintendent: -

The ACCE informs the range superintendent, in whose area the exporter's factory or warehouse is located. On receiving instructions from the ACCE the range superintendent deputes an inspector for clearance of goods for exports.

(c) Sealing of Goods: -

The inspector verifies the goods mentioned in the application and the particulars of duty paid or payable. If satisfied, he seals each package or the container in the manner as m9: Y be specified by the Commissioner of Central Excise and endorses each copy of the application.

(d) Processing of ARE-I Forms: -

ARE-I as endorsed by the inspector are processed as under:- ARE-I (Original) (Duplicate)(Triplicate) (Quadruplicate) (Quintuplicate) retained by the Retained by the exporter for Return to the exporter Range claiming other export incentives Superintendent Submitted to the Commissioner of Custom at the port of shipment Sent to the Maritime Commission Returned to the Returned to or Exporter The Exporter sent to the excise Rebate Audit Section In case rebate is to be claimed by EDI Claim of Excise refund ARE-I (Original) ARE-I (Duplicate) The superintendent or Inspector of Central Excise returns the original and duplicate copy of ARE-I to the exporter. ARE-I (Triplicate) The triplicate copy of ARE-I is sent to the Maritime Commissioner at the port of shipment or to the excise Rebate Audit section in case rebate is to be claimed by electronic declaration on electronic data Inter-change (EDI) system of customs. ARE-I (Quadruplicate) The quadruplicate copy of ARE-I is retained by the superintendent or Inspector of Central Excise. ARE-I (quintuplicate) The quintuplicate copy of ARE-I is returned to the exporter for claiming any other incentive.

(e) Examination of Goods at the place of Export: -

At the port of shipment, the exporter presents goods together with original, duplicate and quintuplicate copy of the ARE-I to the Commissioner of Customs. The Commissioner of Custom examines the Consignments. If satisfied he certifies the goods for export by an endorsement on all the copies of ARE-I. The original and quintuplicate copies are returned to the exporter while the duplicate copy is sent to the Maritime Commissioner.

(f) Submission of the claim: -

For claiming rebate, the exporter is required to submit the following documents along with the prescribed application in form “C” to the assistant or Deputy Commissioner of Central Excise or Maritime Commission of

Central excise: -

- Original copy of ARE-I duly endorsed by the Customs officer.
- Duplicate copy of ARE-I received from the custom officer in a sealed cover.
- Duly attested copy of Shipping bill.
- Duly attested copy of Bill of Lending or Airway Bill.
- Duplicate copy of Central Excise Invoice under which Central Excise was.

paid on goods cleared for exports.

g) Verification of the Application: -

Assistant or Deputy Commissioner of Central Excise compares details listed in the different copies of ARE-I

*The original copy received from the exporter.

*The duplicate copy received from the Customs officer.

*The triplicate copy received from the Central Excise officer. If he is satisfied that the exports are not under claim for duty drawback, he sanctions the rebate.

(h) Refund of Duty: -

If any refundable amount is not paid to the applicant within three months from the date of filing the claim, interest at a rate of 20% p.a. is paid for the period between the expiry of three months and date of refund.

1)Under rebate on excise duty, the Chief Excise Accounts Officer issues a cheque.

2)When export is under bond, the Chief Excise Accounts Officer issues a letter Confirming credit given in the exporter's bond account.

The rebate claim can also' be claimed by electronic declaration on Electronic Data' Inter-change (EDI) System.

(i) Cancellation of Documents: -

If the excisable goods are not exported, the Assistant Commissioner of Central Excise or Deputy Commissioner of Central Excise cancels the export documents on request of the exporter.

CUSTOMS CLEARANCE FORMALITIES: -

According to the Section 40 of, the Customs Act, the person in-charge of the conveyance vessel, vehicle, aircraft, etc., cannot permit loading of export cargo at the Customs Station unless and until a. formal permission to the export given by the authorized Customs Officer is presented. Before granting the permission, 'the Customs Officer ensures that the goods being exported are in accordance with different regulations, particularly in terms of the following: -

(a)The goods are of the same type, sort and value as have been declared by the exporter.

(b)The duty or success leviable thereon has been properly determined and paid.

(c) Provisions of Export (Control). Order, Export. (Quality \ Control and Inspection) Act and Foreign Exchange (Regulation) 'Act are complied with.

LEGAL FRAMEWORK: -

Section 50 of the Indian Customs Act requires the exporter to file a declaration in a prescribed form and submit supporting documents to enable the customs authorities to check declarations made by the exporter.

The objectives of the customs control are: -

i) to ensure that nothing goes out of the country against the laws of the land and that prohibitions and restrictions regarding outward cargo are duly enforced by the. customs- authorities.

ii) To ensure authenticity of the value of outward cargo according to the customs valuation rules to check over and under invoicing.

iii) To assess and realize export duty/cess/charge according to the customs Tariff Act and any other fiscal legislation.

iv) To check that all the relevant regulatory provisions enforced by various authorities in the country have been duly complied with in respect of export.

and

v) To provide export data through the customs returns.

CUSTOMS CLEARANCE STAGES: -

There are four stages of customs involvement. These are:

1. Processing of documents at the Customs House i.e. die main office. This stage involves:

i) Checking up of documents to ensure that all relevant documents have been submitted.

ii) Verification of quantity and value of goods.

iii) Verification and determination of rate of duty and collection of the duty amount.

(iv) Direction for the customs officer in the docks for physical examination of goods.

2. Physical examination of goods in the docks in accordance with the examination' order given at the Customs House.

3. Supervision of loading by the Customs Preventive Officer; and

4. post-shipment endorsements by the Customs Preventive Officer.

DOCUMENTARY REQUIREMENTS: -

For movement of goods by air or by sea, the customs permission for shipment is given on a prescribed document, known as Shipping Bill. In other cases (Le. by road/rail) the document is known as Bill of

Export.

There are four types of Shipping Bill/Bill of export. These are: -

i)Dutiable Shipping Bill/Bill of Export for those goods which attract export duty/ cess.

ii)Drawback Shipping Bill/Bill of Export for those goods which are covered by the Duty Drawback scheme.

iii) Free Shipping Bill/Bill of Export for those goods which neither attract export duty/ cess nor are covered by the Duty Drawback scheme.

iv)EX-bond Shipping Bill/Bill of Export for those goods, which are shipped from, the customs, bonded warehouse.

Exporter or his agent submits the following documents to the customs department.

i) Shipping Bill (in duplicate, triplicate or quadruplicate) duly filled in and signed.

ii) Declaration regarding truth of statement made in the Shipping Bill

iii) Invoice copy G

iv) R Form

v) Export Licensee (wherever required)

vi) Quality Control Inspection Certificate (wherever required)

vii) Original Contract wherever available or correspondence leading to contract

viii) Contract registration certificate (wherever applicable)

ix) Letter of credit (wherever applicable)

x) Packing List

xi) AR4/AR5 Forms (original and Duplicate)

xii) Any other documents

2.8 SHIPPING AND CUSTOMS FORMALITIES: -

The following is the procedure for shipping and customs clearance: -

(a) Preparation and Submission of Export Documents: -

For the clearance of cargo from customs, the exporter 01' his agent is required to submit the following set of documents alol1gwithwith five copies of shipping bill to the Customs Appraiser at the Custom

House

* Letter of Credit along with the export contract or export order

* Commercial Invoice (2 copies

* Packing List or Packing Note

* Certificate of Origin.

* GR Form (original and duplicate)

* ARE-I Form.

* Original copy of Certificate of Inspection, where necessary.

* Marine Insurance Policy.

(b) Verification of Documents: -

The Customs Appraiser verifies the details listed in each document and ensures that all the formalities relating to exchange control, quality control, pre-shipment inspection and licensing have been complied with by the exporter. If satisfied, he issues a 'Shipping Bill Number', which is very important from exporter's point of view.

(c) Valuation of the Goods: -

The Customs Appraiser assesses the shipping bill and values the goods. The value of goods as determined by the Customs Appraiser is considered for all future transactions, especially for the claim of incentives. All documents are returned to the exporter or his agent, except:

*Original copy of GR to be forwarded to the RBI.

*Original copy of Shipping Bill.

*One copy of Commercial Invoice: The validity of assessed shipping bill is for one month only. If the exporter fails to deliver the goods in that period; he will have to undergo the above procedure again.

(d) Obtaining 'Carting Order' from the Port Trust Authorities: -

The C&F agent, then, approaches the Superintendent of the concerned Port Trust for obtaining the 'Carting Order' for moving the cargo inside the dock. After obtaining the Carting Order, the cargo is physically moved into the port area and stored in the appropriate shed.

(e) Customs Examination and Issue of' Let Export Order': -

The Customs Examiner at the port of shipment physically examines the goods and seals the packages in his presence. The same can be arranged for at the factory or warehouse of the exporter by making an application to the Assistant Collector of Customs. The Customs Examiner, if satisfied, issues a formal permission for the loading of cargo on the ship in the form of a 'Let Export Order'. The above procedure is now processed through Electronic Data Interchange (EDI) System.

(f) Obtaining 'Let Ship Order' from the Customs Preventive Officer: -

'Let Export Order' must be supplemented by a 'Let Ship Order' issued by the Customs Preventive Officer. The C&F agent submits the duplicate copy of Shipping Bill, duly endorsed by the Customs Examiner, to the Customs Preventive Officer who endorses it with the' 'Let Ship Order'.

(g) Obtaining Mate's Receipt and Bill of Lading: -

The goods are then loaded on board the ship for which the Mate or the Captain of the ship issues Mate's Receipt to the Port Superintendent. The Port Superintendent, on receipt of port dues, hands over the Mate's Receipt to the C&F Agent. The II C&F Agent surrenders the Mate's Receipt to the Shipping Company for obtaining the Bill of Lading. The Shipping Company issues two to three negotiable and two to three non-negotiable copies of Bill of Lading.

3. EXPORT DOCUMENTATION

3.1. INTRODUCTION: -

At the outset it must be mentioned that improved system of documentation for exports announced by the government of India on 31 March 1991 is fine and should be adopted by the exporters as far as possible. However, a word of caution would be in order. To date we have arrangements with only 80 countries around the world where UN key Layout (Master documents) are followed. With these countries Indian exporter could jolly well use the improved version of documents announced by the government of India as per the New Exim policy 1992-97. For the remaining countries (other than 80 countries where UN key Layout (Master Documents) is not in use, the Indian exporter has to ascertain from the importer of his requirements and must comply to his dictates for documentation. The basic dictum for the exporter's complies 100% the Letter of Credit requirements for Documentation, otherwise exporter could be in problem and his payment may be stopped. Moreover, exporter prepares export documents not for his own convenience but largely to meet the requirements of the overseas importer who largely conveys it through the Letter of Credit. Treatment in this chapter is therefore slightly exhaustive of documents where the old requirements have also been kept in view while introducing master documents. Export documentation work constitutes a heavy charge on our export activity. It is complex cumbersome and costly. This is partly due to the nature of export trade itself involving as it does a number of intermediary organizations and authorities at different stages of export activity between the seller and the buyer. All these, in turn, generate a lot of paperwork and procedural formalities. The documents material to an export sales contract are not many in number. However, the problem is complicated due to the heavy paperwork and the procedural formalities that are required to be complied with before the essential documents can be procured. The procedural and documentary formalities associated with exports have been evolved and practiced over the years by different authorities/organizations to suit their own convenience without much regard to the repercussions they might have on the total export activity. The resultant mass of paperwork caused much inconvenience and inordinately long delay in the movement of goods. There was a need for a total approach to the problem. This meant evolving not only simple export documents and procedures in each of the individual areas of export activity but also ensure their compatibility and harmony in the totality of export operation. Notwithstanding the need for such an approach to the procedure generated problems, it has been appreciated that the task of procedural simplification is a containing a long-term one requiring. In some cases, prior amendment of the statutes, policies and regulations they stem from One of the ways in which this has been done is through the use of standardized document in our export trade. The documents use differed in size and layout, despite the fact that most of the information requirements are common to a number of them Because of the difference in their sizes and designs, these documents have to be completed individually. This method of preparation of documents was susceptible to errors and discrepancies, which, even though minor, caused delays at different stages in the processing of documents, costly, hold up of consignments at checkpoints and terminals, and ultimately in the realization of export proceeds.

3.2. STANDARISED PRE-SHIPMENT EXPORT DOCUMENTS: -

The Government of India has made it mandatory for every exporter to use standardized reshipment export documents i.e. September 1, 1991. This is popularly known as Aligned Documentation System (ADS), based on UN Layout Key. The ADS Methodology involves the preparation of documents on a uniform and standardA4 size of paper. The documents are aligned to one another in such a way that, the common items of information are given the same relative slots in each of the documents included in the System. This makes it possible to prepare one Master document embodying the information common to all the documents included in the aligned series and to run off all the aligned documents from the same Master document with the help of suitable marking reproduction techniques. The Pre-shipment documents on a Standard Layout were first introduced by Sweden in 1956 followed by Denmark, Finland and Norway. It was later that most of the European countries, USA, Australia, etc., have adopted this ADS system.

Advantages: -

The ADS system offers the following advantages: -

1. Dispenses with the conventional documentation practices.
2. Brings in uniformity in documentation.
3. Ensures economy, speed, accuracy and convenience.
4. Facilitates expeditious checking and processing of documents at different stages.
5. Generates as many copies as required of Commercial and Regulatory Documents from their respective Master Copies through Photocopying Machines.

The exporters now can save at least 50% of the time and cost on documentation. It will thus help in expediting decision-making process. Virtually eliminate the chances of errors and facilitate electronic transmission of export documentation and data. Therefore, simplification of export documentation and procedures are key measures to promote exports. Earlier Indian exporters were required to submit 25 documents to various agencies and authorities merely to ship the goods. Each document had to be individually prepared. The news system standardized these documents and aligned then to each other on basis of United Nations key layout which has already been adopted by most of Indians trading partners. Thus, now instead of typing out 25 documents, exporters prepare only two master documents. The new system also includes simplification and relaxation of related procedures, which will further reduce the delays and time component currently involved in export effort. It is expected that as fallout of the introduction of the new system, a self-propelling process towards further rationalization of documentation and procedural requirements would get in motion in all the conceived organizations. And at the end of it the exporter should be able to spend his resource and energy more on export production and marketing than on meeting the demands of archaic export procedures. In the new set up attempts have been made first to standardize and simplify each document and secondly to align them to each other using as far as possible the UN Key Layout. These aligned documents are in time with the pro forma used by countries with whom more than 80% of India's foreign trade is transacted. The two master documents- one for commercial use and the other for regulatory documents meant for customs, RBI and port trust-have maximum advantage of alignment and minimum cost and time for preparing individual documents. The two- master documents contain all the information that was common to individual documents. Earlier, there were a plethora, of commercial document which include among others, invoice, packing, list intimation for inspection insurance declaration form, shipment advice and the exchange control declaration form. Thus, the one run method of preparation of Documents involves the use of standardized and aligned documents. Aligned Documentation System (ADS) is based on the UN layout key. Under this system, different forms used in the international trade transaction are printed on paper of the same size and in such way that the. Common items of information are given. then, same relative slots in each of the documents. For the purpose of Aligned Documentation System documents, have been, classified as under

(a) Commercial Documents: -

Commercial. documents are required for effecting physical transfer of goods and their title from the exporter to the importer and the realization of export sale proceeds. Out of the 16 commerce documents in the export documentation framework as many as 14 have been standardized and aligned to one another. These are performance invoice, commercial invoice, packing list, shipping instructions, intimation for, inspection, certificate, of inspection of quality control, insurance declaration, certificate of insurance, mate's receipt, bill of lading or, combined transport document, application for certificate origin, certificate of origin, shipment advice and letter to the bank for collection or negotiation However, shipping order and bill of exchange could not be brought within the fold of the Aligned Documentation

System.

The following are the 16 Commercial documents generally involved at the pre- shipment stage: -

1. Pro forma invoice
2. Commercial Invoice
3. Packing List
4. Shipping Instruction
5. Intimation of Inspection
6. Certificate of Inspection
7. Insurance Declaration
8. Certificate of Insurance
9. Shipping Order
10. Mate's Receipt
11. Bill of Lading/Combined Transport Document
12. Application for Certificate of Origin
13. Certificate of Origin
14. Bill of Exchange
15. Shipment Advice
16. Letter to the Bank for Collection/Negotiation of Documents

(b) Regulatory Documents: -

Regulatory pre-shipment export documents are prescribed by the different government departments and bodies in order to comply with various rules and regulations under the relevant laws governing export trade such as export inspection, foreign exchange regulation, export trade control, customs, etc. Out of 9 regulatory documents four have been standardized and aligned. These are shipping bill or bill of export, exchange control declaration (GR from), export application dock challan or port trust copy of shipping bill and receipt for payment of port charges. It is proposed to conduct training and orientation programs at all export centers to familiarize the exporting community with the new system.

The regulatory documents associated with the pre- shipment stage of an Export Transaction are given below: -

1. Gate Pass-I/Gate Pass-II (now deleted)

2. AR-4 Form

3. Shipping Bill/Bill of Export

4. Export Application/Dock Challan/Port Trust Copy of Shipping Bill

5. Receipt for Payment of Port charges

6. Vehicle Chit

7. Exchange Control Declaration (GRIPP) Forms

8. Freight Payment Certificate'

9. Insurance Premium Payment Certificate Out of the above

9 Regulatory documents, four have been standardized. In fact, these four documents have been reduced to only three. The receipt for payment of Port Charges has been incorporated in the Export Application/ Dock Challan/Port Trust Copy of Shipping Bill, thus one document has been completely eliminated.

NEED FOR PREPARING EXPORT DOCUMENTS: -

Export documents have to be prepared for various purposes, viz.

1. Declaration of Exports as per Exchange Control Regulations of the country.

2. Transportation of the goods.

3. Customs clearance of the goods.

4. Other purposes. Some of the forms for preparing documents have been standardized under the Aligned Documentation System introduced w.e.f. 1.10.1991.

Declaration forms: -

There are four main declaration forms which are prescribed. These are called GR, PP, VP/COD and Soften Forms. All exports to which the requirement of declaration applies must be declared on appropriate forms as indicated below:

GR Form: -

Used for exports to all countries made otherwise than by Post.

PP Form: -

Used for exports to all countries by Parcel Post, except when made on ''Value Payable" or "Cash on Delivery" basis.

VP COD FORM: -

Used for exports to all countries by Parcel Post under arrangements to realize proceeds through Postal channels on "Value Payable" or Cash on Delivery" basis. Used for export of Computer Software in non-physical form.

SOFTEX: -

While Export Declaration are to be made in a set of two copies (original and duplicate) of GR or PP form, VP/COD forms are to be submitted in a single copy. GRIPP forms are printed in distinctive colors and each set bears a printed number which appears on both copies of the Form. They are avail. able for sale with Reserve Bank of India. However, exporters can get these forms through Authorized Dealers also. VP/COD Forms are sold directly to exporters by Reserve Bank of India. Export Declaration Forms have utmost importance and are binding on the exporter. It is therefore necessary, that enough care is taken while declaring exports on these forms with special reference on the following points:

(i) Name and address of Authorized Dealer through whom proceeds of exports have been or will be realized should be specified in the relevant column of the form.

(ii) Details of commission and discount due to foreign agent or buyer should be correctly declared otherwise difficulties may arise at the time of remittance of such commission.

(iii) It should be clearly indicated in the form whether the export is on 'Outright sale Basis' or 'on Consignment Basis' and irrelevant clauses must be struck out.

(iv) Under the item 'Analysis of Full Export value', a breakup of the full export value of goods under FOB value, freight and insurance should be furnished in all cases, irrespective of the terms of the contract.

3.3. EXPORT INVOICE

Invoice is a document of content. It's the exporter's bill for goods and sets forth the terms of sale. The invoice is a basic document. As a document of contents, it must fully identify the overseas shipment and serve as a basis for the preparation of all other documents, which in greater or lesser detail reproduce information from it. The exporter should strictly follow the requirements of the importer in regard to invoicing. The standard document in respect of the invoice based on the United Nations Key Layout, which has been accepted as the basis of this document in many entries. The information requirements of the document have been determined after examining a number of forms of invoices used by leading export organizations and after series of discussions with the representatives of the Department of Customs and Central Excise and the Federation of Custom House Agents' Associations in India. Invoices based on the suggested design will be acceptable not only in many countries but will also help facilitate processing of documents at various stages. The Declaration given at the bottom (left hand) of the Invoice follows the UN recommendation.

The standard Invoice can be reproduced from the master by masking only three columns, i.e. Notify Party, Insured Value and No. of Original Bs/L No, and Date on the invoices. But under the present procedure for customs clearance and shipment of export cargo, this information, and particularly in respect of the B/L No. and Date, will be available to exporters only after shipment has been affected.

Where required under letter of credit, such information will need to the banks for negotiation. But for this, the rest of the information can be reproduced from the master The information referred to in the preceding lines can be given above the columns for Country of Origin and Final Destination in the order of name of shipping line, ETD (port of shipment), ETA (destination port) and B/L No. and Date. Unused space, in the Buyer's column and below the Consignee's Column can be utilized for incorporation of any other information which may be special to a transaction. Value and Origin Clauses can be printed on the back side of the Standard Invoice. There may be cases when exports are required to give detailed descriptions or specifications of the various items forming part of the consignment exported in one lot. In such cases, exporters are advised to use Continuation sheets to the Invoice.

3.4.PRO FORMA INVOICE

The starting point of the export contract is in the form of offer made 'by the exporter to the foreign customer. The offer made by the exporter is in the form of a Pro forma invoice. It is a quotation given as a reply to an inquiry. It normally forms the basis of all trade transactions. It is proposed to conduct training and orientation programs at all export centers to familiarize the exporting community with the new system.

CONTENTS OF PROFORMA INVOICE

(a) Name and address of the exporter.

(b) Name and address of the importer.

(c) Mode of transportation, such as Sea or Air or Multimodal transport.

(d) Name of the port of loading,

(e) Name of the port of discharge and final destination.

(f) Provisional invoice number and date.

(g) Exporter's reference number.

(h) Buyer's reference number and date.

(i) Name of the country of origin of goods

(j) Name of the country of final destination.

(k) Marks and container number.

(l) Number of packing descriptions.

(m) Description if goods given details terms of internationally accepted price quotation,

(n) Signature of the exporter with date.

IMPORTANCE OF PRO FORMA INVOICE

(a) It forms the basis of all trade transactions.

(b) It may be useful for the importer in obtaining import license or foreign exchange.

3.5. COMMERCIAL INVOICE: -

Commercial invoice is an important and basic export document. It is also known as a Document of Contents as it contains all the information required for the preparation of other documents. It is actually a seller's bill of merchandise. It is actually a seller's bill of merchandise. It is prepared by the exporter after the execution of export order giving details about the goods shipped. It is essential that the invoice is prepared in the name of the buyer, or the consignee mentioned in the letter of credit. This is the first basic and the only complete document among all commercial documents for the shipment. Besides fulfilling the obligation under the export contract, the exporter needs this document for a number of other purposes including:

i) Obtaining export inspection certificate

ii) Getting excise clearance

iii) getting customs clearance and

iv) Securing incentives.

CONTENTS OF COMMERCIAL INVOICE

(a) Name and address of the exporter.

(b) Name and address of the consignee.

(c) Name and the number of Vessel or Flight.

(d) Name of the port of loading.

(e) Name of the port of discharge and final destination.

(f) Invoice number and date.

(g) Exporter's reference number.

(h) Buyer's reference number and date.

(i)Name of the country of origin of goods.

(j) Name of the country of final destination.

(k) Terms of delivery and payment.

(l) Marks and container number.

(m) Number and packing description.,

(n) Description of goods giving details of quantity, rate and total amount in terms of internationally accepted price quotation.

(o) Signature of the exporter with date.

SIGNIFICANCE OF COMMERCIAL INVOICE

(a) It is the basic document useful in preparation of various other shipping documents.

(b) It is used in various export formalities such as quality and pre-shipment inspection, excise and customs procedure etc.

(c) It is also useful in negotiation of documents for collection and claim of incentives.

(d) It is useful for accounting. purposes to both exporters as well as importers.

3.6. PACKING LIST

This may be shown on invoice or separately, and should contain item by item, the contents of cases or containers or of a shipment with its weight and description set forth in such a manner as to permit checks of the contents by the customs on arrival at the port of destination as well as by the recipient. The packing list is a relatively simpler document and the whole of the information can be reproduced from the master by masking information not desired on the packing list. Special information, if any, can be given in the blank space in the lower third portion of the document. The exporter prepares the packing list to facilitate the buyer to check the shipment. It contains the detailed description of the goods packed in each case, their gross and net weight, etc. The difference between a packing notes and a packing list is that the packing note contains the particulars of the contents of an individual pack, while the packing list is a consolidated statement of the contents of a number of cases or packs.

CONTENTS OF PACKING LIST

(a) Name and address of the exporter.

(b) Name 'and address of, the consignee.

(c) Name and the number of Vessel or Flight.

(d) Name of the port of loading.

(e) Name of the port of discharge and final destination.

(f) Invoice number and date.

(g) Name of the country of origin of goods.

(h) Name of the country of final destination.

(i) Marks and container number.

(j). Number and packing description.

(k) Description of goods in terms of quantity and special remarks, if any.

(1) Signature of the exporter with date. Normally, ten copies of the packing note/list should be prepared. The first is to be sent with the shipping documents, two copies in advance to the buyer, one to the shipping agent and the remaining retained by the exporter.

3.7. MATE'S RECEIPT: -

Mate's receipt is a receipt issued by the Commanding Officer of the ship when the cargo is loaded on the ship. The mate's receipt is prima fade evidence that goods are loaded in the vessel. The mate's receipt is first handed over to the f Port Trust Authorities. After making payment of all port dues, the exporter or his agent collects the mate's receipt from the Port Trust Authorities. The mate's, receipt is freely transferable. It must be handed over to the shipping company in order to get the' bill of lading. Bill of lading is prepared on the basis of the mate's receipt.

TYPES OF MATE'S RECEIPTS

(a) Clean Mate's Receipt: -

The Commanding Officer of the ship issues a clean mate's receipt; if he is satisfied that the goods are. packed properly and there is no defect in the packing of the cargo or package.

(b) Qualified Mate's Receipt: -

The Commanding Officer of the ship issues a qualified mate's receipt, when the goods are not packed properly, and the shipping company does not take any responsibility of damage to the goods during transit.

CONTENTS OF MATE'S RECEIPT

(a) Name and logo of the shipping line.

(b) Name and address of the shipper.

(c) Name and the number of vessels.

(d) Name of the port of loading.

(e) Name of the port of discharge and place of delivery.

(f) Marks and container number.

(g) Packing and Container description.

(h) Total number of containers and packages.

(i) Description of goods in terms of quantity.

(j) Container status and seal number.

(k) Gross weight in kg. and volume in terms of cubic meters.

(l) Shipping bill number and date.

(m) Signature and initials of the Chief Officer.

SIGNIFICANCE OF MATE'S RECEIPT

(a) It is an acknowledgement of goods received for export on board the ship.

(b) It is a transferable document. It must be handed over to the shipping company in order to get the bill of lading.

(c) Bill of lading, which is the title of goods, is prepared on the basis of the mate's receipt.

(d) It enables the exporter to clear port trust dues to the Port Trust Authorities

3.8. BILL OF LADING

Bill of lading is issued by the shipping company or its agents stating that goods are either being shipped or have been shipped. Essentially a transport document. it serves many purposes in international commerce. The bill of lading is a document issued by the shipping company or its agent acknowledging the receipt of goods on board the vessel, and undertaking to deliver the goods in the like order and condition as received, to the consignee or his order, provided the freight and other charges as specified in the bill have been duly paid. It is also a document of title to the goods and, as such, is freely transferable by endorsement and delivery.

A bill of lading serves three main purposes: -

i) This document evidences the contract of affreightment (transport) between the shipping company and the shipper (exporter or importer).

ii) It is a receipt given by the shipping company for cargo received by it.

iii) It is a document of title (This is the most significant function of the bill of lading

For the bill of lading to be negotiable in fact three requirements must be fulfilled:

1) it must be made out to the order to the shipper.

2) It must be signed by the steamship company.

3) It must be endorsed in blank by the shipper.

TYPES OF BILLS OF LADING

(a) Clean Bill of Lading: -

A bill of lading acknowledging receipt of the goods apparently in good order and condition and without any qualification is termed as a clean bill of lading.

(b) Caused Bill of Lading: -

A bill of lading qualified with certain adverse remarks such as, "goods insufficiently packed in accordance with the Carriage of Goods by Sea Act," is termed as a clause bill of lading.

(c) Through Bill of Lading: -

It covers goods being transshipped enroute but where the first carrier has the responsibility as the principal carrier for all stages of the journey. For example, goods may be shipped from Bombay to Dubai and transshipped from Dubai to a port in Latin America.

(d) Trans-shipment B/L: -

It has similar characteristic as the Through B/L except that in this case the first carrier acts only as an agent for effecting Trans-shipment of cargo.

(e) Stale Bill of Lading: -

A bill of lading that has been held too long before it is passed on to a bank for negotiation or to the consignee is called a stale bill of lading.

(f) Freight Paid Bill of Lading: -

When freight is paid at the time of shipment or in advance, the bill of landing is marked, freight paid. Such bill of lading is known as freight bill of lading.

(q) Freight Collect Bill of lading: -

When the freight is not paid and is to be collected from the consignee on the arrival of the goods, the bill of lading is marked, freight collect and is known as freight collect bill of lading.

CONTENTS OF BILL OF LADING

(a) Name and logo of the shipping line.

(b) Name and address. of the shipper.

(c), Name and the number of vessels.

(d) Name of the port of loading.

(e) Name of the port of discharge and place of delivery.

(f) Marks and container number.

(g) Packing and container description.

(h) Total number of containers and packages.

(i) Description of goods in terms of quantity.

(j) Container status and seal number.

(k) Gross weight in kg. and volume in terms of cubic meters.

(l) Amount of freight paid or payable.

(m) Shipping bill number and date.

(n) Signature and initials of the Chief Officer.

ENDORSEMENT ON BILL OF LADING

By practice and custom the bill of lading has been transferable. If, however, the bill requires the goods to be delivered to a particular named person and does not include a reference to his assignees, the bill of lading is not transferable. It is only rarely that a bill of lading would be drawn this way. The consignee or consignor as the case may be, can transfer the B/L either by a special endorsement, i.e. an endorsement which names the transferee to whom delivery is to be made or by an endorsement in blank to be bearer. The holder may, however, convert the blank endorsement into a special endorsement by inserting, the name of a person to whom delivery is to be made. **It is then called the "endorsement in full."**

SENDING OF BILL OF LADING TO IMPORTER

B/L is made out in sets and any number of copies may constitute the set according to the requirements of the particular transaction and the importer. The number of copies to be made out will be indicated by the importer before the shipment takes place. In case there is no such indication, normally, two copies. One set of documents is sent by the first-class airmail and the second by the following mail, so that if one is lost. Delivery of the goods can be taken by the importer because of the second set.

SIGNIFICANCE OF BILL OF LADING FOR EXPORTERS

(a) It is a contract between the shipper and the shipping company for the carriage of the goods to the port of destination.

(b) It is our acknowledgement indicating that the goods mentioned in the document have been received on board for the purpose of shipment.

(c) A clean bill of lading certifies that the goods received on board the ship are in order and good condition. '

(d)It is useful for claiming incentives offered by the government to exporters.

(e) The exporter can claim damages from the shipping company if the goods are lost or damaged after the issue of a clean bill of lading.

SIGNIFICANCE OF BILL OF LADING FOR IMPORTERS

(a) It acts as a document of title to goods, which is transferable by endorsement and delivery.

(b) The exporter sends the bill of lading to use bank of the importer so as to enable him to take the delivery of goods.

(c) The exporter can give an advance intimation to the foreign buyer about the' shipment of goods by sending him a non-negotiable copy of bill of lading.

SIGNIFICANCE OF BILL OF LADING FOR SHIPPING COMPANY

It is useful to the shipping company for collection of transport charges from the importer if not collected from the exporter.

3.9. CERTIFICATE OF ORIGIN

The importers in several countries require a certificate of origin without which clearance to import is refused. The certificate of origin states that the goods exported are originally manufactured in the country whose name is mentioned in the certificate. Certificate of origin is required when:

(a) The goods produced in a particular country are subject to preferential tariff rates in the foreign market at the time importation.

(b) The goods produced in a particular country are banned for import in the foreign market.

TYPES OF THE CERTIFICATE OF ORIGIN

(a) Non preferential Certificate of Origin: -

Non-preferential certificate of origin is required in general by all countries for clearance of goods by the importer, on which no preferential tariff is given. It is issued by the authorized Chamber of Commerce of the exporting country. Trade Association of the exporting country.

(b) Certificate of Origin for availing Concessions under GSP: -

Certificate. of origin required for availing of concessions under Generalized System of Preferences (GSP) extended by certain countries such as France, Germany, Italy, BENELUX countries, UK, Australia, Japan, USA, etc. This certificate can be obtained from specialized agencies, namely Export Inspection

Agencies. Director General of Foreign Trade, Commodity Boards, and their regional offices. Development Commissioner, Handicrafts, Textile Committees for textile products. Marine Products Export Development Authority for marine products. Development Commissioners of EPZs.

(e) Certificate for availing Concessions under Commonwealth Preferences (CWP): -

Certificate of origin for the purpose of Commonwealth Preference is also known as 'Combined Certificate of Origin and Value'. Two member countries, Le, require it Canada and New Zealand of the Commonwealth. For concession under Commonwealth preferences, the certificates or origin have to be submitted in special forms obtainable from the High Commission of the country concerned.

(d) Certificate for availing Concessions under other Systems of Preference: -

Certificate of origin is also required for tariff concessions under the Global System of Trade Preferences (GSTP), Bangkok Agreement (BA) and SAARC Preferential Trading Arrangement (SAPTA) under which India grants and receives tariff concessions on imports and exports. Export Inspection Council (EIC) is the sole authority to print blank Certificates of. Origin under BA, SAARC and SAPTA which can be issued by such agencies as EPCs, DCs of EPZs, EIC, APEDA, MPEDA, FIEO, etc.

CONTENTS OF CERTIFICATE OF ORIGIN

(a) Name and logo of chamber of commerce.

(b) Name and address of the exporter.

(c). Name and address of the consignee.

(d). Name and the number of Vessel of Flight.

(e). Name of the port of loading.

(f). Name of the port of discharge and place of delivery.

(g) Marks and container number.

(h) Packing and container description.

(i) Total number of containers and packages.

(j) Description of goods in terms of quantity.

(k) Signature and initials of the concerned officer of the issuing authority.

(l) Seal of the issuing authority.

SIGNIFICANCE OF THE CERTIFICATE OF ORIGIN

(a) Certificate of origin is required for availing of concessions under Generalized System of Preferences (GSP) as well as under Commonwealth Preferences (CWP).

(b) It is to be submitted to the customs for the assessment of duty and clearance of goods with concessional duty.

(c) It is required when the goods produced in a. particular country are banned for import in the foreign market.

(d). It helps the buyer in adhering to the import regulations of the country.

(e). Sometimes, in order to ensures that goods bought from some other countries have not been reshipped by a seller, a certificate of origin is required.

3.10. SHIPPING BILL

Shipping bill is the main customs document, required by the customs authorities for granting permission for the shipment of goods. The cargo is moved inside the dock area only after the shipping bill is duly stamped, i.e., certified by the customs. Shipping bill is normally prepared in five copies:

(a) Customs copy.

(b) Drawback copy.

(c) Export promotion copy.

(d) Port trust copy.

(e) Exporter's copy.

Free Shipping Bill is used for export of goods which neither attracts any Duty/Cess nor is entitled to Duty Drawback on their exportation. Dutiable Shipping bill is used in case of goods subject to Export Duty/Cess but may or may not be entitled to Duty Drawback. Drawback Shipping Bill or Bill of Exports is used in the case of goods which are entitled to Drawback. Ship. ping Bill for Shipment Ex-bond is for use in case of imported goods for Re. exports and which are kept in Bond.

Following documents are required for the processing of a Shipping Bill:

(a) GR Forms in duplicate for shipments to all countries.

(b) Four copies of Packing list giving contents, quantity, gross and net weight of each Package.

(c) Four copies of Invoices indicating all relevant particulars such as no. of packages, quantity, unit rate, total FOB/CIF value, correct and full description of goods, etc. (One copy of this Invoice is to be pasted on the duplicate copy of Shipping Bill).

(d) Contract, Letter of Credit, Purchase Order

(e) Inspection/Examination Certificate.

The Formats presented for the Shipping Bill are as under:

1. White Shipping Bill for export of Duty-Free goods prepared in triplicate in the Standardized Format.
2. Green Shipping Bill for export of goods under claim for Duty Draw back prepared in quadruplicate in the prescribed Form.
3. Yellow Shipping Bill for export of dutiable goods prepared in triplicate in the prescribed Form.
4. Pink Shipping Bill for export of Duty-Free goods ex-Bond prepared in triplicate in the prescribed Form.

Where the goods are to be cleared by the Land Customs, Bill of export is prepared instead of Shipping Bill. Bill of Export is also of four types i.e. white, green, yellow and pink for the purpose stated above. Standardized Formats of the Bill of Export are also available with the booksellers who deal with Exim publications.

TYPES OF SHIPPING BILL

Based on the incentives offered by the government, customs authorities have introduced three types of shipping bills: -

(a) Drawback Shipping Bill: - Drawback shipping bill is useful for claiming the customs drawback against goods exported.

(b) Dutiable Shipping Bill: - Dutiable shipping bill is required for goods which are subject to export duty.

(c) Duty-free Shipping Bill: - Duty-free shipping bill is useful for exporting the goods on which there is no export duty.

Application for export is used for seeking customs permission of export goods to the neighboring countries like Bangladesh by road, river or rail. This is of Three Types, namely, for export of "Free", "Dutiable" and "Drawback" cargos. Customs declaration form for goods sent by post parcel is a standard form for all types of cargo. However, for claiming duty drawback, the exporter has also to file another document known as "Form D". Port authorities in India have specified documents for bringing the cargo into the shed for shipment as well as for payment of port charges. This document is called port - trust copy of shipping bill in Bombay dock challan in Calcutta and Export application in Madras and Cochin. Like the shipping bill, the clearing and forwarding agent of the exporter prepare this document. In order to facilitate easy recognition and quick processing, following colors have been provided to different kinds of shipping bill Types of goods By Sea by Air Drawback Shipping Bill Green Dutiable shipping Bill Yellow Pink Duty free Shipping Bill White Pink

CONTENTS OF SHIPPINING BILL

(a) Name and address of the exporter.

(b) Name and address of the importer.

(c) Name of the vessel, master or agents and flag.

(d) Name of the port at which goods are to be discharged.

(e) Country of final destination.

(f) Details about packages, description of goods, marks and numbers, quantity and details of each case.

(g) FOB price and real value of goods as defined in the Sea Customs Act.

(h) Whether Indian or foreign merchandise to be re-exported

(i) Total number of packages with total weight and value.

SIGNIFICANCE OF SHIPPING BILL

(a) Shipping bill is the main customs document, required by the customs authorities for granting permission for the shipment of goods.

(b) The cargo is moved inside the dock area only after the shipping bill is duly stamped, i.e., certified by the customs.

(c) Duly endorsed shipping bill is also necessary for the collection of export incentives offered by the government.

(d) It is useful to the Customs Appraiser while determining the actual value of goods exported.

3.11. CONSULAR INVOICE

Consular invoice is a document required mainly by the Latin American countries like Kenya, Uganda, Tanzania, Mauritius, New Zealand, Myanmar, Iraq, Australia, Fiji, Cyprus, Nigeria, Ghana, Guinea, Zanzibar, etc. This invoice is the most important document, which needs to be submitted for certification to the Embassy of the importing country concerned. The main purpose of the consular invoice is to enable the authorities of the importing country to collect accurate information about the volume, value, quality, grade, source, etc., of the goods imported for the purpose of assessing import duties and also for statistical purposes. In order to obtain consular invoice, the exporter is required to submit three copies of invoice to the Consulate of the importing country concerned. The Consulate of the importing country certifies them in return for fees. One copy of the invoice is given to the exporter while the other two are dispatched to the customs office of the importer's country for the calculation of the import duty. The exporter negotiates a copy of the consular invoice to the importer along with other shipping documents.

Significance of Consular Invoice for the Exporter

(a) It facilitates quick clearance of goods from the customs in exporter's as well as importer' country.

(b) Certification of goods by the Consulate of the importing country indicates that the importer has fulfilled all procedural and licensing formalities for import of goods.

(c) It also assures the exporter of the payment from the importing country.

SIGNIFICANCE OF CONSULAR INVOICE FOR THE IMPORTER

(a) It facilitates quick clearance of goods from the customs at the port of destination and therefore, the importer gets quick delivery of goods.

(b) The importer is assured that the goods imported are not banned for imports in his country.

SIGNIFICANCE OF CONSULAR INVOICE FOR THE CUSTOMS OFFICE

(a) It makes the task of the customs authorities easy.

(b) It facilitates quick calculation of duties as the value of goods as determined by the Consulate is considered for the purpose.

3.12.GR FORM

GR Form is an exchange control document required by the Reserve Bank of India (RBI). As per the exchange control regulations, an exporter has to realize the proceeds of the goods he has exported within 180 days of their shipment from India. In order to ensure this, the RBI has introduced the GR procedure. GR form is to be submitted in duplicate to the Customs at the port of shipment along with the shipping bill. Customs will give their running serial number on both the copies after admitting the customs shipping bill. Customs authorities will certify the value declared by the exporter on both the copies of the GR form at the space earmarked and will also record the assessed value. They will then return the duplicate copy of the form to the exporter and retain the original for transmission to the RBI. Within 21 days from the shipment of goods, exporter must lodge the duplicate copy of GR together with relative shipping documents with the authorized dealer named in the GR form for negotiation of export bills. After the documents have been negotiated, the authorized dealer will report the transaction to the RBI. The duplicate- copy 'of GR form together with a copy of invoice will be retained by the authorized dealer till full export proceeds have been realized and thereafter submitted to the RBI. On account of introduction of Electronic Data Interchange (EDI) System at certain customs offices where shipping bills are processed electronically, the existing declaration in GR form has been replaced by a declaration in form SDF (Statutory Declaration Form).

3.13. OTHER DOCUMENTS: -

Customs Invoice: - Countries like U.S.A., Canada, etc., need Custom's Invoice. It is generally made out on a special form prescribed by the Customs Authorities of the importing country and helps for allowing entry of goods in the importing country at preferential tariff rates. The Invoice Forms are generally available at the Consular Officer of the importing country and are required to be signed and witnessed after duly filling out the same.

Legalized/visaed Invoice: - these are the Invoices sworn for their genuineness by the seller as being correct, before the appropriate Consulate/Chamber of Commerce Embassy as the case may be, and they bear the stamp and authentication of the Consulate/Chamber of Commerce Embassy as being in order. A nominal charge is collected by them from the seller for doing this. These Invoices are required by some of the Latin American Countries. There is no prescribed form of this Invoice.

Certified invoice: - At times the exporter is called upon to certify on the Invoice, that the goods are of particular origin or manufactured/packed at a particular place and in accordance with specific contract.

When Certificates as such appear on the Invoice, it is called as a Certified Invoice.

Bill of exchange/draft: - A Bill of Exchange also known as Draft contains an order from the credit to the debtor to pay a specified amount to a person mentioned therein. The maker of a Bill is called the "Drawer", the person who is directed to pay is called the "Drawee" and the person who is entitled to receive payment is called the "Payee." When it is drawn on a foreign firm it is termed as a Foreign Draft or Bill of Exchange. It is prepared either in an international currency or Indian Rupees depending on the terms of the contract. Accordingly, the Bill is known by the name of currency in which it is drawn. For example, a Bill drawn in US dollars is known as 'Dollar Bill' and when prepared in rupees, being termed as 'Rupees Bill'. When the goods are shipped by Sea, the bills are drawn in sets and two sets of documents, including drafts are mailed to the foreign correspondent through an authorized dealer for presentation to the Drawee (importer). Each one bears a reference to the other.

A Bill of Exchange or Draft is of two types:

(I) 'Sight Draft' or 'Draft at Sight' and

(ii) "Usance Draft" or "Usance Bill". When the Drawer i.e. exporter expects the Drawee i.e. importer to make; payment immediately after the Draft is presented to him, it is called a 'Sight: Draft'. Unless and until the Draft is received, the Negotiating/Collecting Bank does not hand over the Shipping documents and the buyer cannot take delivery of goods. As there is no Aligned document for Draft the same can be prepared by the Exporter in the usual format

Certificate of inspection; - Inspection Certificate, indicating that goods have been inspected before shipment, is needed under some contracts or by some countries. This Certificate is generally required to be issued by one of the authorized independent Inspection Agencies/Surveyors in the exporter's country. The Certificate is issued in the Aligned document Form.

Blacklist certificate: - This is to certify that the ship/aircraft carrying the goods has not touched a particular country on its journey or that the goods are not of a particular country. This certificate is usually called for when countries have strained political relations with another.

Weight note: - This document is used to confirm that the Packets/Bales, etc., are of a particular weight and not more than the stipulated weight as per contract. It may at times give gross weight and net weight of the whole consignment.

Manufacturer's/supplier's quality/inspection certificate: - This is a Certificate to the effect that the goods which have been manufactured/supplied are as per the requirement of the Contract of Sale.

Languages certificate: - Importers in the European Economic Community Countries require Languages Certificate along with the GSP Certificate in respect of hand loom cotton fabrics classifiable under NEMEX Code 55.09. Indian exporters should apply for this certificate simultaneously or separately. The Language Certificate is issued in quadruplicate, three copies of which are given to the exporter. He should transit one copy to his overseas importer, along with other documents, for realization of export proceeds. The Languages Certificate is issued by the Textile Committee against a small fee.

Manufacturer's certificate: - In addition to the Certificate of Origin, some countries require a Manufacturer's Certificate to the effect that goods shipped have actually been manufactured and are available.

Certificate of chemical analysis: - To ensure that the quality and grade of items like metallic ores, pigments, etc., is the same as specified in the Sale Contract, importers may require the exporter to send a Certificate of Chemical Analysis from a recognized analyst.

Certificate of shipment: - This Certificate is issued by the Shipping Agent and ensures that a certain lot of goods have been shipped.

Health/veterinary/sanitary certificates: - when the goods that are exported are foodstuffs, marine products, hides, live stocks, etc., usually depending upon the goods which are being imported, a certificate from the health /veterinary/ Sanitary Authorities is called for by the overseas buyers. This is because the importer desires to know if the goods are fit for human consumption.

Certificate of conditioning: - Certificate issued by a Competent Office in which, on the basis of the ascertained humidity factor, the dry weight of wool or silk is reckoned and certified.

Antiquity certificate: - This Certificate is required in the case of export of antiques. It is issued by the Archaeological Survey of India.

Certificate of measurement: - Freight can be charged either on the basis of weight or measurement. When it is charged on weight basis, the weight declared by exporter is accepted. However, Certificate of measurement from the Indian Chamber of Commerce or any other approved organization may be obtained by the exporter and given to the shipping company for calculation of necessary freight. This

Certificate contains the name of vessel, the Port of destination, description of goods, quantity, length, breadth, depth, etc. of packages.

Car/Lorry ticket This: - Ticket is prepared for admittance of cargo through the Port gate. This is also known as 'Vehicle Ticket or Gate Pass'. This includes the details of export cargo, i.e. shipper's name, car/lorry numbers, marks on packages, quantity and description.

Shut out advice: - It is a statement packages shut out by a ship and is prepared by the shed concerned and sent to the exporter showing the particulars of packages, for disposal arrangement.

Short shipment form: - Short Shipment Form is an application to the Customs Authorities at Port advising the short shipment of goods and for claiming the return of the Duty and/or Cess paid on such short shipping goods.

Shipping advice: - A Shipping Advice is used to inform the overseas customer about the shipment of goods. The Shipping Advice is prepared in Aligned document. The Exporter only advises); his importer about the Invoice number, Bill of Lading/Airway Bill number and date, name of the vessel with date, the port, of export, description of goods and quantity and the date of sailing of the vessel.

Aligned Documentation System': - has been developed. In line with system, Government of India has also developed Standardized Pre- shipment Export Documents. With the help of this system, several documents can be prepared from a Master document. Import documents include IEC No and Bill of Entry.

4. LETTER OF CREDIT

A letter of credit is a document issued mostly by a financial institution which usually provides an irrevocable payment undertaking (it can also be revocable, confirmed, unconfirmed, transferable or others e.g. back to back: revolving but is most commonly irrevocable/confirmed) to a beneficiary against complying documents as stated in the Letter of Credit. Letter of Credit is abbreviated as an **LC** or **L/C**, and often is referred to as a **documentary credit**, abbreviated as **DC** or **D/C**, **documentary letter of credit**, or simply as **credit** (as in the UCP 500 and UCP 600). Once the beneficiary or a presenting bank acting on its behalf, presents to the issuing bank or confirming bank, if any, on or before the expiry date of the LC, documents complying with the terms and conditions of the LC, the applicable UCP and international standard banking practice, the issuing bank or confirming bank, if any, is obliged to honor irrespective of any instructions from the applicant to the contrary. In other words, the obligation to honor (usually payment) is shifted from the applicant to the issuing bank or confirming bank, if any. Non-banks can also issue letters of credit; however, **beneficiaries** must balance the potential risk of payment default. The LC can also be the source of payment for a transaction, meaning that an exporter will get paid by redeeming the letter of credit. Letters of credit are used primarily in international trade transactions of significant value, for deals between a supplier in one country and a customer in another. They are also used in the land development process to ensure that approved public facilities (streets, sidewalks, stormwater ponds, etc.) will be built. The parties to a letter of credit are usually a beneficiary who is to receive the money, the issuing bank of whom the applicant is a client, and the advising bank of whom the beneficiary is a client. Almost all letters of credit are irrevocable, i.e., cannot be amended or canceled without prior agreement of the beneficiary, the issuing bank and the confirming bank, if any. In executing a transaction, letters of credit incorporate functions common to giros and Traveler's cheques. Typically, the documents a beneficiary has to present in order to receive payment include a commercial invoice, bill of lading, and documents proving the shipment was insured against loss or damage in transit. However, the list and form of documents is open to imagination and negotiation and might contain requirements to present documents issued by a neutral third party evidencing the quality of the goods shipped, or their place of origin.

4.1 KINDS OF LETTER OF CREDIT

There are various kinds of Letter of Credit depending upon the features added to it as desired by the applicant. The different kinds of the Letter of Credit are as follows:

1.Sight or Usance Letter of Credit

A Letter of Credit is known as Sight Letter of Credit or the Letter of Credit at sight if it involves payment to the exporter against sight draft. On the other hand, if the payment is to be made against usance draft, then the Letter of Credit is known as Usance Letter of Credit. In this case, the usance draft is accepted jointly by the issuing bank and the importer. Once, the draft is jointly accepted by the bank and the importer, it becomes the first-class commercial paper which can be discounted through any commercial bank before the due date. This enables an exporter to obtain funds in advance before waiting for the due date.

2.Confirmed or Unconfirmed Letter of Credit

An irrevocable Letter of Credit is confirmed when the advising bank add? its confirmation to the Letter of Credit. This means that the advising bank assumes the primary liability for making payment to the beneficiary as if it were the issuing bank. This arrangement is beneficial for the exporter as it enables him to protect himself against the political risks involved in transfer of funds from the importer's country to the exporter's country. This kind of situation may arise when the importer's country is at war or is faced with civil/ ethnic disturbances leading to the imposition of financial emergency or temporary financial crisis leading to the ban on the transfer of funds out of the country. It is important to understand that confirmation of Letter of Credit is possible only if there is a clause in the Letter of Credit which permits the advising bank or any other negotiating bank to add its confirmation. Thus, if an exporter wants confirmation of Letter of Credit, then he must negotiate for this with the importer so that he can get this clause included in the Letter of Credit. Confirmation of credit, in fact, operates as an insurance against the political risks to payment. An irrevocable confirmed Letter of Credit is the most beneficial form of credit for the exporter as he has obtained assurance of payment from two banks namely, the issuing bank and the confirming bank. The exporter should take the decision regarding confirmation carefully as it involves cost in terms of payment of confirmation charges to the bank. It is the most desirable to opt for confirmation in the case of those countries which are politically unstable, or the financial standing of the issuing bank is not very good. Once the payment is made by the confirming bank (it is usually located in the exporter's country) then it claims the amount of Letter of Credit from the issuing bank. In case it fails to obtain the payment from the issuing bank for any reason, then it cannot claim the amount from the exporter, i.e. the beneficiary under the Letter of Credit. Confirmation of Letter of Credit is, thus, without recourse to the beneficiary. On the other hand, if the irrevocable Letter of Credit does not provide for its confirmation, then it would be known as unconfirmed Letter of Credit

3.Negotiable Letter of Credit

A Letter of Credit is known as negotiable if the issuing bank authorizes the negotiating bank to honor the draft/s drawn under the terms of the credit. In such a case, the exporter gets the payment even before the documents are scrutinized by the issuing bank. The negotiating bank i.e., the bank through which the documents are presented for negotiation for realization of the export proceeds, would examine the documents and if the same are found to be non-discrepant, then the it would release the payment under the terms of the credit to the exporter subject to an undertaking from the exporter that in case the issuing bank does not release the payment then he would refund the amount to the negotiating bank. Thus, the negotiating bank reserves to itself the right to take recourse to the beneficiary in the event of non- payment by the issuing bank under the credit. This facility of payment would be available to the exporter only if it is stated in the Letter of Credit that the payment is allowed by negotiation and the name of the bank(s) allowed to negotiate is also stated in the Letter of Credit. In case the name of the negotiating bank is stated in the letter of credit, then the negotiation is restricted to the nominated bank and the credit is then called the restricted credit. In case the issuing bank agrees for negotiation by any bank then the credit would be called Unrestricted.

4.Revolving Letter of Credit

A revolving letter of credit is one which provides for the renewal of the amount of the credit without any amendments to the letter of credit in relation to a given time period or a given amount. The revolving letter of credit may be revocable or irrevocable. For example, a letter of credit may revolve initially for an amount up to $20,000 per month for a fixed period of say, three months. In this case, the amount of credit shall be renewed for $20,000 every month for a period of three months irrespective of whether any credit was utilized or not by the beneficiary during the month. Thus, while the face value of the letter of credit is $20,000, the undertaking of the issuing bank is for the total amount of $60,000 in revolving periods each for $20,000 for three months: The revolving credits are opened in those cases where the importer regularly imports goods from a certain exporter. Instead of opening letter of credit for each import, the importer saves on the transaction costs by opening the revolving credit. The disadvantage of revolving credit from the point of view of the importer is that he enters into long term commitment with a particular supplier and thereby deprives him of the possible of opportunities of making imports at competitive rates in future. The revolving credit may be cumulative or non-cumulative. The credit is considered Cumulative if the unutilized amount of one time period can be carried over to the next period. If the unutilized amount cannot be carried over, then the credit would be called non-cumulative.

5.Red Clause and Green Clause Letters of Credit

A Red Clause letter of credit is a kind of credit which enables the confirming bank or the nominated bank to make advances to the beneficiary even before the presentation of the documents. Since this clause used to be written customarily in red ink hence the name Red Clause letter of credit. This clause states the amount that can be advanced to the beneficiary and in certain case it may cover even the full amount of the letter of credit. The confirming or the nominated bank recovers the amount of advance within tersest out of the payment realized under the credit. In case the documents presented by the exporter are found to be discrepant then the bank which had given the advance will have the right to demand repayment of the advance amount with interest from the issuing bank. The issuing bank would have the right of recourse against the applicant Le., the importer. This means that the liability will fall on the applicant. Whether such a clause would be included in the letter of credit or not depends upon the agreement between the exporter and the importer. On the other hand, the letter of credit is known as Green Clause letter of credit if it provides for the credit given to the exporter to cover the period of storage of goods at the seaport.

6.Transferable Letter of Credit

Transferable letter of credit is a credit which authorizes the advising bank to transfer part or full amount of the credit to any other party at the request of the beneficiary. In this case, the importer runs the risk of accepting the shipment of goods from a party other than with whom the order was placed and the party supplying the goods may not have had any business dealings in the past with the importer. However, once the credit is transferred, the transferee gets the right to make presentation of the draft/. s and the documents and claim payment for the goods supplied. This kind of credit is very useful in those cases where the importer is making imports through an agent in the exporting country. Such agents, known as buying agents in the exporting country, maintain the list of reliable exporters for the supply of goods to their principals in the foreign country. The transferable credits help the buying agents to transfer part of the credit amount to different exporters who have been given the orders for the supply of goods to the importer.

7.Back -to- Back Letter of Credit

Back -to- Back letter of credit is a credit which is issued at the strength of another letter of credit. For example, an exporter who has received a letter of credit for the export of goods may have to import goods from another country for the execution of the order. The foreign supplier may ask for payment against letter of credit. The exporter can request for the issue of import letter of credit on the strength of the export letter of credit. The second letter of credit is known as the back-to -back letter of credit. Thus, the back- to-back letter of credit involves two separate letters of credits as follows:

1. One opened in favor of the primary beneficiary or the original exporter.
2. The credit opened in favor of the second beneficiary who would supply goods to the first beneficiary.

Thus, the first beneficiary becomes the applicant for opening of the second letter of credit. It is. important to ensure that the second letter of credit specifies all the documents required by the first credit and the time limits set for presentation of the documents in such a manner that it will enable the primary beneficiary Le., original exporter to present the documents within the time limits set by the primary letter of credit

8.With Recourse or Without Recourse Letter of Credit

A letter of credit is with recourse when under the terms of the credit, the negotiating bank or the nominated bank cannot approach the beneficiary for the refund of the payment made under the letter of credit. It is without recourse when the negotiating or the nominated bank cannot approach the beneficiary to refund the payment under the letter of credit. A confirmed letter of credit is without recourse to the beneficiary and the unconfirmed or the negotiable credits are always with recourse to the beneficiary.

9.Standby Letter of Credit

Standby letter of credit is an assurance to the beneficiary that the applicant shall perform his part of the obligation undertaken by him under the contract between the applicant and the beneficiary. It is, in fact, a kind of performance guarantee to support the beneficiary in the event of default by the applicant. The subject matter of this kind of letter of credit could be:

1. Repayment of the money borrowed by the applicant from the beneficiary or
2. Payment on account of any indebtedness undertaken by the applicant or
3. Payment on account of any default by the applicant in the performance of any obligation undertaken by the applicant.

10.Revocable and Irrevocable Letter of Credit: -

Under the revocable letter of credit, the issuing bank retains the right to cancel or modify the credit. Whereas in an irrevocable letter of credit, the issuing bank gives a binding undertaking to the beneficiary.

11.Restricted Letter of Credit: -

This refers that negotiations under a credit may be restricted by the issuing bank to a named bank.

5 Export at Cummins IPDC

5.1 Product: -

This is a warehouse management do receive, inbound, outbound, packaging Movement of the material with help of the Material handling equipment. Cummins IPDC not a manufacturing organization. In this organization collect parts from manufacturer and those parts are sales to Dealers or Customers as per his requirement.

5.2 Order Booking Procedure: -

In Cummins IPDC for order booking & total working using Oracle system.

- **Definitions/Abbreviations:**
  - PDC : Parts Distribution Centre
  - PGBU : Power Génération Business Unit
  - CS: Customer Support
  - OM: Order Management
  - DN: Delivery Note
  - OA: Order Acceptance
  - PO: Purchase Order (Provided by Customer)
  - CSR: Customer Support Representative
- Generally, book the orders of two types as below.

1. LS2 EXP EDO
2. LS2 Spares Memphis

- Mails comes from Customer Team for the orders. They give the PO for booking order. Mails comes from Customer Purchase department person.
- For order booking fill up Customer number & check the ship to bill to location.
- At the time of order booking enter the items & schedule ship date & then book the order.
- After of that release DN in the system.

5.3 **Picking & Packing: -**

- DN showing in system, this DN assign to picker for picking.
- Pack every part in single poly/box. Paste item labels.
- Pack all parts in one big box on fumigated pallet.

- Consolidate LPNs and pack box. Staple it paste brown tape.
- Check weight of box, update weight in WMS.
- Wrap and strap box by stretch wrap film and by manual strapping machine. Stretch wrap is give protection to box from water.

- For big parts require wooden packing. For Export shipment require fumigated wooden or play wood boxes.

5.4 **Export Invoicing: -**

- For Export DN closing we require details of freight terms, gross weight, net weight, carrier mode of transport.
- At the time of DN closing need to update Ship method, freight terms, gross weight, net weight, carrier mode of transport as per transportation matrix.
- Prepare packing using invoice details, packing dimensions and weight.
- Print Invoice and packing slip 4 copies each of A4 invoices.
- Put the seal on each paper.
- Take signature (on seal) of authorized person.

5.5 Dispatch Procedure: -

- For arranging vehicle for transport need to send Invoice & packaging slip to clear agent by mail.
- Need to clearly mention total box quantity & total gross weight of shipment in the mail.
- At the time of dispatching material from company premises require past packaging slip on each box.
- Ensure all boxes are stretch wrapped.
- Security person ensuring all boxes are loaded as per the invoice.
- After loading of boxes security person tacking LR copy & signature of the drive.

6. INCOTERMS 2010

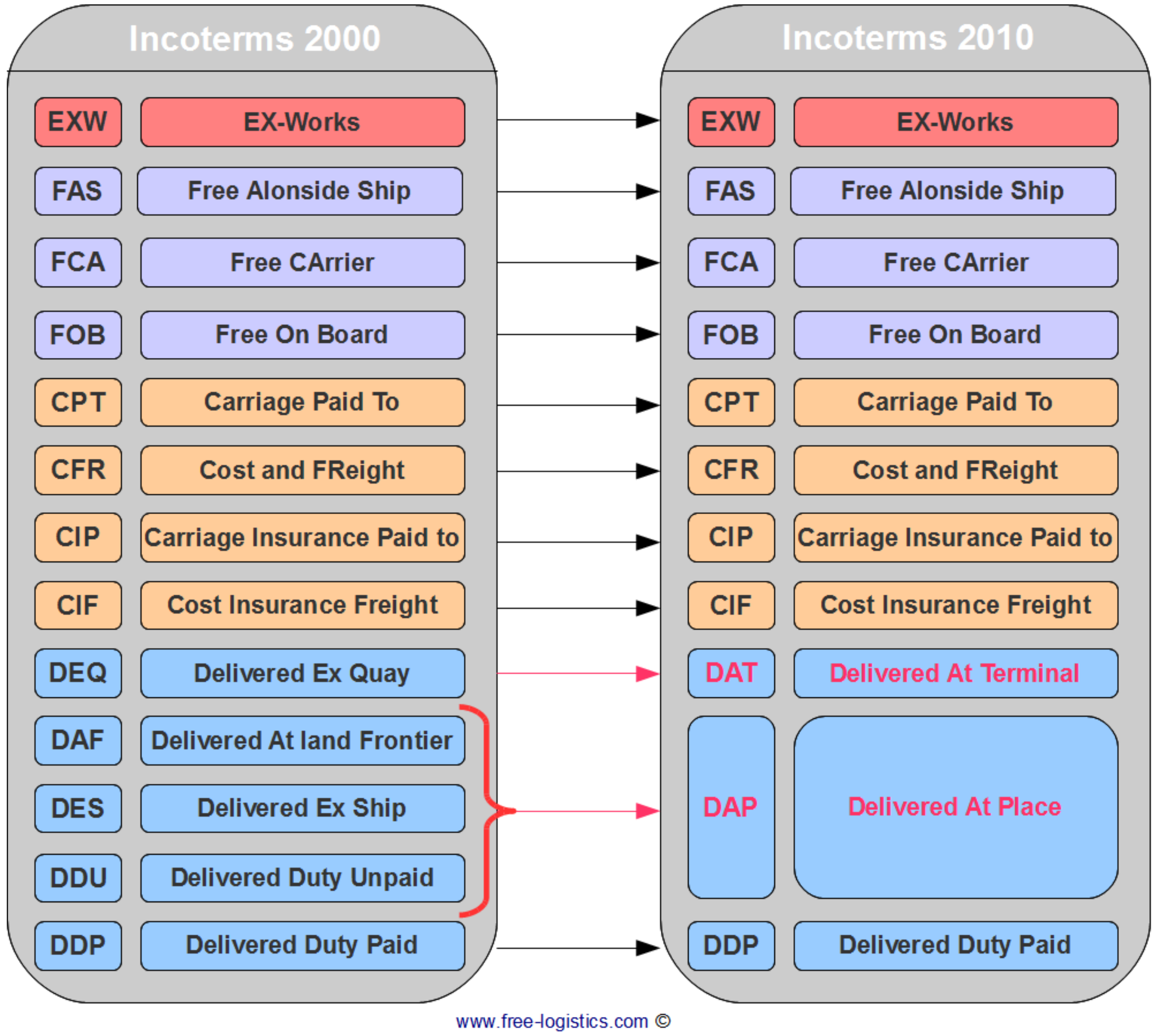
Inco terms stands for International Commercial Terms to provide a set of rules to interpret the most commonly used trade terms in international trade. This set of rules defines the precise obligations of buyer and seller to reduce the possibility of misunderstanding between the exporter and importer. The purpose of these terms is to clarify who is responsible (seller or buyer) for:

1. The cost of transporting the goods from one point to the other.

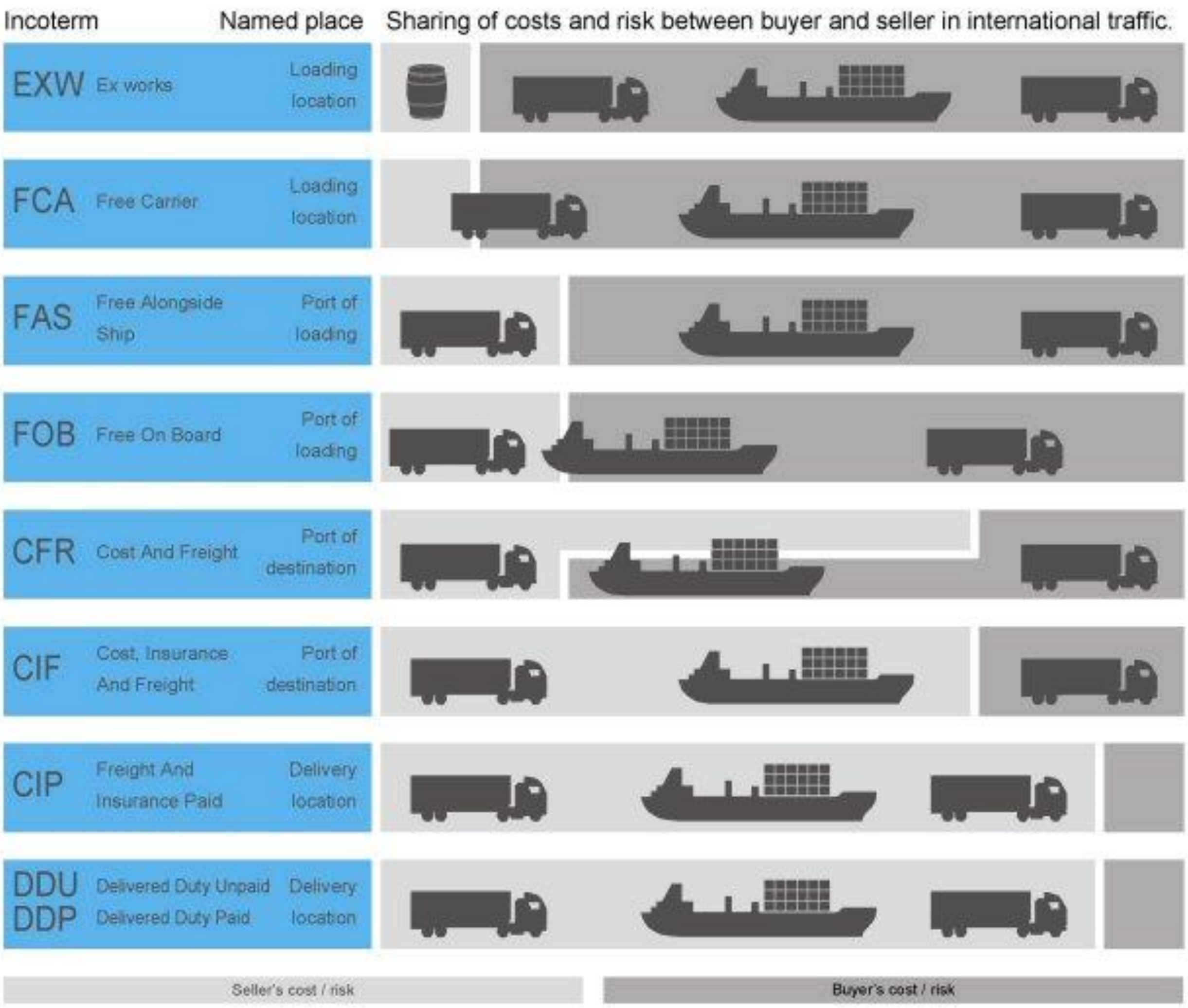
2. The risk of loss if the transportation cannot take place.3. The risk of loss or damage to goods in transit. In other words, Inco terms 2000 aim is to set out the rights and obligations of the seller and the buyer when it comes to transporting the goods. Each term means a different division of costs, risks, and responsibilities between the seller and the buyer.

6.1 Different types of Inco terms 2010

………..INCOTERMS 2010



- Incoterm of 2000 had 13 terms.
- Incoterm of 2010 reduced to 11 terms.



EXW

EXW EX WORKS (... named place)

"Ex Works "means that the seller delivers when it places the goods at the disposal of the buyer at the seller 's premises or at another named place (i.e., works, factory, warehouse etc.). The seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.

FCA

FCA FREE CARRIER (... named place)

"Free Carrier "means that the seller delivers the goods to the carrier, or another person nominated by the buyer at the seller 's premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

FAS

FAS FREE ALONGSIDE SHIP (... named port of shipment)

“Free Alongside Ship “means that the seller delivers when the goods are placed alongside the vessel (e.g., on a quay or a barge) nominated by the buyer at the named port of shipment. The risk of loss or damage to the goods passes. When the goods are alongside the ship, and the buyer bears all costs from the moment onwards.

FOB

FOB FREE ON BOARD (... named port of shipment)

“Free on Board “means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.

CFR

CFR COST AND FREIGHT (... named port of destination)

“Cost and Freight “means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

CIF

CIF COST, INSURANCE AND FREIGHT (... named port of destination)

“Cost, Insurance and Freight “means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

CPT

CPT CARRIAGE PAID TO (... named place of destination)

“Carried Paid To“ means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between the parties) and that the seller must contract for and pay the costs of carriage necessary to bring goods to the named place of destination.

CIP

CIP CARRIAGE AND INSURANCE PAID TO (... named place of destination)

“Carriage and Insurance Paid“ means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between the parties) and that the seller must contract for and pay to costs of carriage necessary to bring the goods to the named place of destination.

DAT

Delivered at Terminal. (... named place)

“Delivered at Terminal “means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. „Ter-Minal “includes any place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The sellers bear all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination.

DAP

Delivered at Place (... named port of destination)

“Delivered at Place” means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.

DDP

DDP DELIVERED DUTY PAID (... named place of destination)

Represents the seller's maximum obligation. The term

“Duty Paid” means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

7. Charter Shipping

Charter shipping is a tramp service. The term tramp, as used in the ocean shipping, refers to a cargo ship not operating on regular routes and schedules, and picking up cargo only when it is chartered (hired) from the ship operator. While conference and non-conference shipping are for general cargoes, charter shipping usually is for bulk cargoes like oil, coal, ore, and grain. Charter shipping has the lowest freight rate per unit of weight or measure. A charter party is required in charter shipping.

7.1Charter party contract

It is a written contract between the ship operator and the charterer (shipper). The contract normally includes the ports, freight rate and time involved in the voyage(s).

The ship operator issues a charter party bill of lading. Unless a letter of credit (L/C) permits or calls for a charter party bill of lading, the bank will reject such transport document in the L/C negotiation.

7.2 Some trade terms used specifically in charter shipping are as follows:

FI

Free In The word "free" as used in the charter shipping term means not including. FI is a pricing term indicating that the charterer of a vessel (i.e., the shipper) is responsible for the cost of loading goods onto the vessel.

FO

Free Out The word “FO” is a pricing term indicating that the charterer of a vessel (i.e., the shipper) is responsible for the cost of unloading goods from the vessel.

FIO

Free In and Out The word “FIO” is a pricing term indicating that the charterer of a vessel (i.e., the shipper) is responsible for the costs of loading goods onto the vessel and unloading goods from the vessel.

Voyage charter.

The ship is chartered for a single journey, and it may involve more than one port of call. The ship operator crews and operates the ship and it is the operator's own ship's master in control of the ship. This type of charter shipping is analogous to the limousine service where the driver, who is in control of the car in a journey, is provided by the car operator.

Time charter

The ship is chartered for a period of time. This type of charter shipping is similar to a voyage charter in the crewing and operating of the ship. The contract may call for a specific or unlimited number of voyages within the agreed time.

Bareboat charter

The term bareboat means a ship without a crew and ship's master. The charterer (shipper) is in charge of crewing and operating the ship within a period of time, usually a number of years. This type of charter shipping is analogous to a car leasing where the lessor (the car operator) provides the car only and the lessee provides his/her own driver