

Export Procedure

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Preliminary Exercise

What to do first before starting the export business?

- Select a quality product.
- Select a particular overseas market.
- Concentrate only on few products and minimum three countries (If you are a beginner).
- Ensure that you can manufacture or procure the selected products at competitive prices in sufficient quantity and will be able to meet the delivery schedule.
- Get the full information of similar products of other manufacturers in the selected markets, their prices, marketing techniques, terms of business etc. to offer your products to overseas buyer with reduced prices to capture the market.
- Assess the degree of competition of product(s) which you propose to export in a particular market.

Where do you get the export information?

1. Various publications of Chambers of Commerce.
2. Export Promotion Councils
3. Export Credit Guarantee Corporation
4. Banks
5. Institutions engaged in International Trade
6. Private Publications / Project Report available on certain fees

How to select a commodity for export?

- Own manufacturer of capacity.
- Availability from others - merchant exporter.
- The demand for the commodity in the importing country.
- Government of India's policy and regulations - export.
- Foreign Government policy and regulations - import.
- Total profitability of commodity.
- Quota fixation (in both countries).
- Knowledge and experience of similar - exporters - export of such commodities in various countries.

How to obtain particulars of foreign buyers?

- Trade representatives (India and Foreign Governments).
- Export Promotion Councils and Commodity Boards and other Govt. and Semi-Government Agencies.
- International Trade Directories and International Yellow pages
- Participating / visiting in International Trade Fairs and exhibitions in India and abroad.
- Reading materials published by various trade related organizations.
- Advertising in Indian and as well as foreign newspapers, magazines and journals.

- Relatives, friends and other contacts in foreign countries

Once the buyer is ensured, our position in respect of the following to be assured

- Price to the overseas buyers.
- The terms of credit which one can offer.
- Packaging, transportation, storage, distribution and after sales service methods.
- The promotional methods, which one can offer.

Export Documentation

Documentation is one of the most important aspects of overseas trade. Current documentation is very important because it alone can secure the swift passage of goods through the customer resulting in prompt payment of goods exported.

1. **Export Order** The exporter is required to produce copies of export order to various government / departments / financial institutions e.g. to get export licenses, availing post shipment finance etc.
2. **Order Acceptance** Exporter commits the shipment of goods covered at the agreed price during a specified time. Sometimes, the exporter needs a copy of his order acceptance signed by the importer.
3. **Letter of Credit**
4. **Transport Documents**
 - **Ocean Foreign (Types of Bill of lading)** It is a document issued by the shipping company or its agent acknowledging the receipt of goods mentioned in the bill for shipment on board the vessel and undertaking to deliver the goods in the like order and condition as received, to the consignee or his order of assignee, provided the freight and other charges specified from the legal point of view, a bill of lading is a formal receipt acknowledging the receipt of goods from export for the purpose of shipment. Bill of lading is usually made out in sets of four. The exporter should submit the sets of bill of lading together with the mate receipt to the shipping company which would calculate the freight amount on the basis of measurement or weight as certified by the recognized chamber of commerce.
 - **Post Parcel Receipt** It evidences the receipt of goods for exports by the post office and it is also not treated as a document of title.
5. **Bill of Exchange** It is also known as "Draft" When exporter expects the importer to make immediate payment upon the presentation of the draft that draft is called a "Sight Draft" or Draft drawn at first sight or on Demand or on presentation. When the draft is drawn for payment at a date later than presentation, it is called a 'Usance Draft' or Usance Bill or 'Demand Draft'.
6. **Insurance Policy / Certificate Marine Insurance Certificate** is a document which give details of the shipment insured together with a shortened version of the provisions of open cover. The exporter should buy the policy for the CIF value plus ten percent to cover other expenses which the importer might have to incur in anticipation of safe arrival of the goods.
7. **Certificate of Origin** The exporter should obtain this from any recognized Chamber of Commerce, EPC, Government Dept. on payment of a small fee.
8. **G.S.P. Certificate** EEC adopted the Generalized System of Preferences. Under G.SP manufacturers and Semi-manufacture from developing countries including India will be entitled to a concessional rate of import duty in these countries.
 - **Packing list / Note** It includes the date of packing, connecting invoice number, order number, details of shipping etc.
 - **Export Declaration Forms** a) GR Form For export to all countries otherwise than by post b) PP Form For export to all countries by parcel post except when made on value payable or cash on delivery basis c) Form SOFTEX To be used for declaring software exports through data communication links and receipt of loyalty on the software packages / products exported.
9. **Certificate of Inspection** It is issued by the inspection agency concerned certifying that the consignment has been inspected as required under the Export (Quality Controls & Inspection).
10. **Certificate of Measurement** It should be obtained either from Indian Chamber of Commerce or any other approved organization.
11. **Shipping Order** About the reservation of space of shipment of cargo through a particular vessel from a specified port and on a specified date.
12. **Cart / Lorry Ticket** This is prepared for admittance of cargo through the port gate.
13. **Dock Challan / Export Application** Export application is required at Cochin, Mumbai and Chennai for payment of port charges and Dock Challan is used at Kolkata port.

14. Shipper's Declaration Form The exporter has to submit this declaration to the customs authorities, regarding the value, sort, specification quantity, description of goods being exporter.
15. Commercial Invoice It is a prima facie evidence of the contract of sale and purchase.
16. Consular Invoice It is a document required manly by the Latin American countries. It facilitates the clearing of goods through customs of the importing country.
17. Shipping Bill It is an important document required by the customs authorities for allowing shipment.
 - Duty free shipping bill - Printed on white paper
 - Dutiable shipping bill - Oriented on yellow paper
 - Drawback shipping bill - Printed on green paper
18. Shipping bill for shipment Ex-bond In case of goods imported for re export and kept in bonds this type of shipping bill is used which is printed on yellow paper.
19. Freight Declaration It is to be attended to the export documents of the importer agrees to pay the freight.
20. Health Certificate This is required for export of food products, seeds, animal meat products etc. issued by the Health Department of Exporting Country.
21. Certificate of Value Though indicated in the commercial invoice, some countries need this separately.
22. Certificate of Exports and Realization After shipment, the exporters should get their export certified by an authorized dealer in foreign exchange. While presenting the export document to an authorized dealer, he should fill in and give to the bank and declaration (in triplicate) in the prescribed form known as "Bank Certificate of Export and Realization". The exporter will get this certificate from the negotiating bank only after the realization of the proceeds.

Common Discrepancies in Export Documents

- Credit expired
- Late shipment
- Credit amount exceeding
- Under insured
- Insurance risk covered not as specified in credit
- Absence of freight paid statement on bill of lading, where credit covers Cost & Freight (C&F) and Cost, Insurance and Freight (CIF) Shipment.
- Amount shown on invoice and bill of exchange differ

Export Procedure

- Categories of Exporters

Preliminary Exercise

Importer - Exporter Code (IEC) Number

- Categories of importers exporters exempted from obtaining Importer Exporter Code
- Application and supporting documents
- Documents are to be attached
- Validity of Importer Exporter Code number
- Registration with Export Promotion Council
- Registration with sales tax authorities

Export Sample and Price Quoting

Letter Of Credit

- Parties to a letter of credit
- Types of letter of credit
- Documents required under letters of credit
- Common discrepancies in export documents

Export Finance

- Pre-shipment finance
- Post- shipment Finance

Export Documents

Export Finance

1) Pre-shipment Finance

- Packing credit
- Advances against cash incentives
- Advance against Duty Drawback Entitlements

2) Post-shipment Finance

- Negotiations / payments / acceptance of export documents under letter of credit
- Purchase / discount of export documents
- Advances against bills sent on collection basis
- Advances against exports on consignment basis
- Advances against un drawn balances
- Advances against cash incentives
- Advances against duty-draw-back entitlement
- Financing exports under deferred payment arrangements, turnkey projects, construction contracts etc.

Export Categories

1. Manufacturer Exporter
2. Merchant Exporter
3. Export Oriented Unit (EOU)
4. Export Processing Zone (EPZ)
5. Special Economic Zone (SEZ)
6. Export House - an exporter / service provider recognized as Export Houses by the Director General of Foreign Trade (Trading House)
7. Service Provider - a person providing supply of a service from India to any other country.

Export Sample

Export Sample and Price Quoting

Sample product should be of high quality, packing should be attractive neat and clean; provide required information through leaflet.

Price Quoting

- While quoting the price, along with the cost of product and your profit margin, include various expenses and also various concessions and assistance given by the government.
- The price may be on f.o.b. (Free on Board) or c.i.f. (Cost, Insurance and Freight) basis.
- Mention the terms of payment in your offer letter indicating settlement period 30 days, 60 days, 90 days etc and with or without the Letter of Credit.

Letter of Credit

Letter of Credit is a document issued by the Importer's Bank in favour of the Exporter giving him the draw bills up to a particular amount (as per the contract) covering a specified shipment of goods and assuring him of payment against the delivery of shipping documents.

Banker's Commercial Letter of Credit is known as 'Documentary Letter of Credit' because it envisages payment against exporters' bill provided they are accompanied by the shipping documents covering the goods contracted to be purchased by the Importer. It is also described as "Commercial Letter of Credit" because it is known in commercial transaction (i.e. sale and purchase of goods).

Parties to a Letter of Credit

1. Applicant / Importer: Importer is the 'Opener' on whose behalf or account the Letter of Credit is issued by his bank.
2. Applicant's / Importer Bank: The bank who issues or opens the Letter of Credit on behalf of the importer / customer.
3. Exporter: Exporter is the 'beneficiary' of the Letter of Credit who is entitled to receive the payment of his bills according to the terms of Letter of Credit.
4. Intermediary Bank / Confirming Bank: It is bank usually a branch or the correspondent of the opening bank in the exporting country through which the credit is advised to the exporter. If the beneficiary bank add its own undertaking to the credit while advising it to the beneficiary it becomes the conforming bank.
5. Paying / Negotiating Bank: The bank which negotiates the beneficiary bills under the credit and pays for it is known as Paying / Negotiating Bank.

Documents required under Letter of Credit

- Bills of Exchange
- Invoice
- Certificate of Origin
- Transport documents - Bill of Lading
- Insurance Policy
- Other documents

Importer-Exporter Code (IEC) Number

Importer - Exporter Code (IEC) Number

IEC is a must to export and import of goods and services and received from the regional licensing authority unless specifically exempted under any other provision of the Export Import policies.

Categories of Importers Exporters exempted from obtaining Importer Exporter Code.

1. Ministries / Departments of the Central or State Government
2. Persons importing or exporting goods for their personal use not connected with trade.

Application and Supporting Documents

1. Application as given by the Regional Licensing Authority
2. Demand Drafts for payment of the fee of Rs.1000/-

Documents to be attached

- Sales Tax registration certificate
- Copy of the passport in case of an individual
- Certificate from the banker of the firm
- Copy of PAN issued by the income tax authorities

Validity of IEC Number

An IEC number allotted to an applicant will be valid for all its branches / divisions / units / factories as indicated on the IEC* number.

Identity cards will be issued by the Regional Licensing Authority.

Registration with EPC

For availing various concessions and benefits under the current trade policy, the exporter is required to register himself with any one of the Export Promotion Councils or Commodity Boards and obtain Registration - cum Membership Certificate.

Registration with Sales Tax Authorities

Goods exported from India are eligible for both Central and State sale tax exemptions. For obtaining exemption, one should get its firm / company registered with the sales tax authorities in the State in which your office is situated.