EXPORT PROCEDURE

Frequently asked questions (FAQ) on how to starting export business in India

Introduction :

India's Foreign Trade i.e. Exports and Imports are regulated by Foreign Trade Policy notified by Central Government in exercise of powers conferred by Section 5 of Foreign Trade Development and Regulation (FTD & R) Act, 1992. Presently, Foreign Trade Policy 2015-20 is effective from 1st April, 2015. As per FTD & R Act, export is defined as an act of taking out of India any goods by land, sea or air and with proper transaction of money.

Q. **How to start Export Business ?**

Ans. Export in itself is a very wide concept and lot of preparations is required by an exporter before starting an export business. To start export business, the following steps may be followed.

- **Establishment of Organisation :-** The applicant should decide a Catchy Name with an attractive LOGO for his company i.e. Proprietorship / Partnership / Company.

- **Obtaining Permanent Account Number (PAN) :-** It is necessary for every exporter and importer to obtain a PAN from the Income Tax Department.

- **Opening of Bank Account :-** A Current Account with a Bank authorized to deal in Foreign Exchange should be opened in favour of the company.

- **Obtaining IEC Number :-** Import and Export Code is to be obtained by the business entity for import into or export from India. Import and Export Code is popularly known as IEC number. Import and Export Code is issued by Directorate General of Foreign Trade (DGFT). IEC is a 10-digit unique number. An application for IEC is filled online at ***www.dgft.gov.in*** with online payment of application fee of Rs.500/- through net banking or debit card is made along with requisite documents as mentioned in the application form.

- **Obtaining R.C.M.C. (Registration-cum-Membership Certificate) :-** Registration-cum-Membership Certificate (RCMC) is a certificate that validates an exporter dealing with products registered with an Export Promotion Council that are authorized by the Indian Government.

- RCMC is required for availing authorization to import / export or any other benefit or concession under FTP 2015-20 as also to avail the services / guidance from the concerned Export Promotion Councils / Commodity Boards / Authorities.

Q. How to identify buyers in the exporting countries ?

Ans.(i) Buyer identification can be done using various sources such as B2B portals, web browsing (to find importers in the foreign market), participation in trade fairs, buyer-seller meets, exhibitions. Apart from these conventional / popular methods, buyers can be identified with the help of Export Promotional Councils (EPC), Indian Missions abroad, overseas chambers of commerce and friends and family staying abroad.

(ii) Companies can explore other methods for connecting with buyers from the foreign market. Other methods can be becoming a member (avail subscription) of trade associations, councils, and non-profit organization. Micro, Small and Medium Enterprises (MSMEs) can also connect with Indian Embassy to explore more opportunity.

Q. How to send Sample of the Product ?

Ans. Providing customized samples as per the demands of Foreign buyers help in getting export orders. As per FTP 2015-2020, exports of bonafide trade and technical samples of freely exportable items shall be allowed without any limit.

Q. How to make Pricing / Costing of the Product to be exported ?

Ans. After determining the buyers interest in the product, future prospects and continuity in business, demand for giving reasonable allowance / discount in price may be considered. Product pricing is crucial in getting buyers' attention and promoting sales in view of international competition. The price should be worked out taking into sampling to realization of export proceeds on the basis of terms of sale i.e. Free on Board (FOB), Cost, Insurance & Freight (CIF), Cost & Freight (C&F) etc. Goal of establishing export costing should be to sell maximum quantity at competitive price with maximum profit margin. Preparing an export costing sheet for every export product is advisable.

Q. How to Cover Payment Risks through ECGC ?

Ans. International trade involves payment risks due to buyer / Country insolvency. These risks can be covered by an appropriate Policy and Export Credit Guarantee Corporation Limited (ECGC). Where the buyer is placing order without making advance payment or opening letter of credit, it is advisable to procure credit limit on the foreign buyer from ECGC to protect against risk of non-payment.

Q. How to Process an Export Order ?

Ans.(i) Confirmation of Order :

On receiving an export order, it should be examined carefully in respect of items, specification, payment conditions, packaging, delivery schedule etc. and then the order should be confirmed. Accordingly, the exporter may enter into a formal contract with the overseas buyer.

(ii) Procurement of Goods :-

After confirmation of the export order, immediate steps may be taken procurement / manufacture of the goods meant for export. It should be remembered that the order has been obtained with much efforts and competition so the procurement should also be strictly as per buyer's requirement.

(iii) Quality Control :-

In today's competitive era, it is important to be strict quality conscious about the export goods. Some products like food and agriculture, fishery, certain chemicals etc. are subject to compulsory pre-shipment inspection. Foreign buyers may also lay down their own standards / specifications and insist upon inspection by their own nominated agencies. Maintaining high quality is necessary to sustain in export business.

(iv) Finance :-

Exporters are eligible to obtain pre-shipment and post-shipment finance from Commercial Banks at concessional interest rates to complete the export transaction. Packing Credit advance in pre-shipment stage is granted to new exporters against lodgement of L/C or confirmed order for 180 days to meet working capital requirements for purchase of raw material / finished goods, labour expenses, packing, transporting etc. Normally Banks give 75% to 90% advances of the value of the order keeping the balance as margin. Banks adjust the packing credit advance from the proceeds of export bills negotiated, purchased or discounted. Post-shipment finance is given to exporters normally upto 90% of the invoice value for normal transit period and in cases of usance export bills upto notional due date. The maximum period for post-shipment advances is 180 days from the date of shipment. Advances granted by Banks are adjusted by realization of the sale proceeds of the export bills. In case export bill becomes overdue Banks will charge commercial lending rate of interest.

v. Labeling, Packaging, Packing and Marking :-

The export goods should be labelled, packaged and packed strictly as per the buyer's specific instructions. Good packaging delivers and presents the goods in top condition and in attractive way. Similarly, good packing helps easy handling, maximum loading, reducing shipping costs and to ensuring safety and standard of the cargo. Marking such as address, package number, port and place of destination, weight, handling, instructions etc. provides identification and information of cargo packed.

vi. Insurance :-

Marine insurance policy covers risks of loss or damage to the goods during the while the goods are in transit. Generally in CIF contract the exporters arrange the insurance whereas for C&F and FOB contract the buyers obtain insurance policy.

vii. Delivery :-

It is important feature of export and the exporter must adhere the delivery schedule. Planning should be there to deliver the goods at buyer's destination in time.

Q. **What are the Customs Procedures to be obtained ?**

Ans. It is necessary to obtain PAN based Business Identification Number (BIN) from the Customs prior to filing of shipping bill for clearance of export good and open a current account in the designated bank for crediting of any drawback amount and the same has to be registered on the system.

In case of Non-EDI, the shipping bills or bills of export are required to be filled in the format as prescribed in the Shipping Bill and Bill of Export (Form) Regulations, 1991. An exporter needs to apply difference forms of shipping bill / bill of export for export of duty free goods, export of dutiable goods and export under drawback etc. Under EDI System, declarations in prescribed format are to be filed through the Service Centres of Customs. A checklist is generated for verification of data by the exporter / CHA. After verification, the data is submitted to the system by the Service Center operator and the System generates a Shipping Bill Number, which is endorsed on the printed checklist and returned to the exporter / CHA. In most of the cases, a Shipping Bill is processed by the system on the basis of declarations made by the exporters without any human intervention. Where the Appraiser Dock (export) orders for samples to be drawn and tested, the Customs Officer may proceed to draw two samples from the consignment and enter the particulars thereof along with details of the testing agency in the ICES/E system.

Exporters may avail services of Customs House Agents licensed by the Commissioner of Customs. They are professionals and facilitate work connected with clearance of cargo from customs.

Q. **What are the mandatory documents required for import and export ?**

Ans. FTP 2015--2020 describe the following mandatory documents for import and export.

- Bill of Lading / Airway bill.
- Commercial invoice-cum-packing list.
- Shipping bill / bill of export / bill of entry (for imports).

(Other documents like certificate or origin, inspection certificate etc. may be required as per the case).

Q. What are the documents to be submitted to Bank after shipment of export goods ?

Ans. After shipment, it is obligatory to present the documents to the Bank within 21 days for onward dispatch to the Foreign Bank for arranging payment. Documents should be drawn under Collection / Purchase / Negotiation under L/C as the case may be along with the following documents.

- Bill of exchange.
- Letter of Credit (if shipment is under L/C).
- Invoice.
- Packing List.
- Airway Bill / Bill of Lading.
- Declaration under Foreign Exchange.
- Certificate of Origin / GSP.
- Inspection Certificate, wherever necessary.
- Any other document as required in the L/C or by the buyer or statutorily.

Q. What is the procedure of Realization of Export Proceeds ?

Ans. As per FTP 2015-2020, all export contracts and invoices shall be denominated either in freely convertible currency of India rupees, but export proceeds should be realized in freely convertible currency except for export to Iran. Export proceeds should be realised in 9 months.

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