

## CHAPTER - 12

### STEPS FOR EXPORT & IMPORT

Knowledge of market for your product is an essential element in all schemes of things, the dimension of domestic market are to be well understood to achieve success in the entrepreneurship. Not only domestic market gives insight and challenges to an entrepreneurs but it also prepares him to test his nevers for foreign markets. Once you are firmly entrenched in the business and established your credentials, it is inevitable to search for new pastures in the world. Therefore, exports in the right mode of business.

Exports of Powerloom textiles have shown a very good growth rate in the past decade. There is further scope for accelerating the growth rate in exports to a considerable extent. Considering the large quantum of output of textiles in the Powerloom sector and the versatility of the industry in offering textiles in required quantities, in different widths, piece lengths, designs, patterns etc., possibilities of enlarging exports to a large extent.

Export marketing is a complex activity compared to domestic selling. Exporters therefore need to have the required knowledge of the rules and regulations relating to export control, excise/customs formalities and documentation not only in India but also of the country of importation. The steps are given to enlighten you on the aspects of export & import.

#### 12.1. PRELIMINARY STEPS FOR STARTING EXPORT

##### 1. Opening of Bank Account:

The exporter / powerloom entrepreneur should open a Current bank Account in the name of the Company / Firm with a commercial bank who is an authorised dealer in foreign exchange.

##### 2. Importer - Exporter Code Number :

Any person without an **Importer- Exporter Code (IEC) number** shall make no export or import unless specifically exempted. An Importer- Exporter Code (IEC) number shall be granted on application by the competent authority in accordance with the procedure specified in the Handbook of procedure (Vol-I) of Foreign Trade Policy.

##### 3. Application for Grant of IEC Number:

An application for grant of IEC number shall be made by the Registered / Head Office of the applicant to the licensing authority under whose jurisdiction, the Registered office in case of company

and Head office in case of others, and shall be accompanied by documents prescribed therein. Only one IEC would be issued against a single PAN number. Any proprietor can have one IEC Number and in case there are more than one IECs allotted, the same may be surrendered to the licensing office for cancellation.

**4. Validity of IEC No.:**

An IEC number allotted to an applicant shall be valid for all its branches / divisions / units / factories as indicated in the IEC issued by the Licensing Authority.

**5. Duplicate Copy of IEC Number:**

If an IEC holder does not wish to operate the allotted IEC number, he may consider requests for grant of a duplicate copy of IEC number, if accompanied by an affidavit.

**6. Surrender of IEC Number:**

If an IEC holder does not wish to operate the allotted IEC number, he may surrender the same by informing the issuing authority. On receipt of such intimation, the issuing authority shall immediately cancel the same and electronically transmit it to DGFT for onward transmission to the Customs and RLAs.

**7. Mandatory returns:**

Each IEC holder (barring those who have obtained IEC in the preceding licensing year i.e. 1.4.2004 to 31.3.2005) shall be required to furnish yearly details of imports / exports made by him in the preceding licensing year by 31<sup>st</sup> December. The information shall be furnished online by the IEC holder by accessing the website at [www.nic.in/eximpol](http://www.nic.in/eximpol).

**8. Membership of an Export Promotion Council:**

After obtaining the IEC No. the exporter / powerloom entrepreneur, he can approach the PDEXCIL for **Membership & Registration** for export of powerloom fabrics and made-ups. Exporters can also choose any Export Promotion Council to suit his requirements as well set up by the Ministry of Textiles.

**(A) Membership & Registration with Powerloom Development & Export Promotion Council (PDEXCIL):**

01. Registration with the PDEXCIL under Export - Import Policy is necessary for claiming export incentives and benefits against export of Powerloom fabrics and made-up items. Membership is to be obtained before registration can be granted. Membership and registration can be applied for

simultaneously, but shall be granted separately depending upon fulfilment of requirements.

As per the existing provisions of EXIM Policy, Registration-cum-Membership Certificate (RCMC) can be issued, depending on fulfilment of requirements, as follows;

- a) Merchant Exporter
- b) Manufacturer Exporter
- c) Merchant-cum-Manufacturer Exporter

Please note that the PDEXCIL shall give RCMC as manufacturer exporter for specific products for which documentary evidence is given.

02. The Application for Membership & RCMC should be accompanied by the following Details/Documents, wherever applicable.

- a. Demand Draft / Pay Order for Rs.3000/- (Entrance fees Rs. 1000/- & Annual Subscription Charges Rs.2000/-) drawn in favour of Powerloom development & Export Promotion Council, Payable at Mumbai
- b. Application form for Membership duly filled in.
- c. Application form for RCMC duly filled in duplicate
- d. A photocopy of Import - Export Code No. duly attested by the Exporter (for RCMC Only).
- e. A Confidential Report from the Applicants Bankers containing information relating to the date of opening of the Account, Period for which the applicant has been constituents of the bank, their financial soundness etc. (Format with the PDEXCIL).

If an exporter desires to get registered as Manufacturer Exporter, then evidence to that effect, the following are required:

- ⇒ Attach a Self attested Photocopy of the valid Registration Certificate issued under the Erstwhile Textiles (Control) order 1986 or Acknowledgement of Information Memorandum under the Erstwhile Textiles (Development & Regulation) order 1992/Current Textiles (D&R) 2001 or a copy of the Form 1A or 1B submitted under the Textiles (Development & Regulation) order 2001 issued by the Ministry of Textiles, Govt. of India, along with a declaration by the applicant of having filed the Form 1A or 1B, with the relevant documentary proof and / or the acknowledgement, as the case may be.
- ⇒ A self certified copy of the Electricity Bill of the Factory / Unit. In case the unit is not in the applicants' Premises, but in rented place, then a simple affidavit from the Proprietor / Partner / Director on a Twenty rupees Stamp paper to the effect that the applicant's unit is housed in

- the rented premises (with detailed address, post office, police station, district and pin) along with others units, if any, (full details thereof along with names of owners, address and No. of looms in each case, in the said premises for which power was supplied through the electric meter for which copy of bill attested by the applicant has been produced).
- ⇒ Any other Government Documents evidencing the Applicant to be a Manufacturer.
  - ⇒ Attach a self-attested photocopy of (i) Partnership deed or (ii) Memorandum and Articles of Association as the case may be (compulsory for membership).
  - ⇒ In case the above-referred documents submitted are other than in English language, submit self certified translated copy of the documents in English.

## **B. Renewal**

1. The Registration Certificate will be valid for a period of five years, ending 31<sup>st</sup> March of the licensing year subject to continuation of the membership of the Council every year. The certificate shall be deemed to be valid from 1<sup>st</sup> April of the licensing year in which it was issued.

2. Renewal of RCMC after its expiry will be considered on submission of fresh application, duly completed as per the Rules & Regulations applicable at the time of making the Application. The expired RCMC in original must be surrendered along with the application.

3. Membership must be renewed before 31<sup>st</sup> May every year. Non-renewal of membership will result in automatic cancellation of RCMC.

4. As per para 13(a) (l) of the Articles of Association of the PDEXCIL, a member shall cease to be member if he fails to pay the annual subscription on the expiry of a period of 2 months from the date on which the subscription or dues fall due which shall be 1<sup>ST</sup> APRIL EVERY YEAR. Therefore members are requested to renew their Membership by 31<sup>ST</sup> MAY EVERY YEAR not awaiting renewal bill from the Council. Extension of the last date of renewal of membership with the PDEXCIL beyond 31<sup>st</sup> May, for a further period of 1 month upto 30<sup>th</sup> of June every year, on the representation of the member so defaulting, shall be granted by the Secretary subject to FORCE MAJEURE CONDITIONS ONLY. The member shall pay the annual subscription in full, including for the entire period of default within the time stipulated by the Secretary. If Membership is not renewed by 31<sup>st</sup> May, and for further period, if granted by the Secretary, (subject to Force Majeure Conditions Only), then the membership shall be treated as cancelled.

5. Please quote your Membership No. and RCMC No. while doing any correspondence with the Council.

## **C. Assistance by the PDEXCIL**

a) The PDEXCIL provides assistance by way of

- Helping the Importers / Buyers to find the right manufacturers of textiles from India.
- Exploration of overseas markets.
- Identification of items with export potential.
- Carrying out Market Survey and collection of up-to-date market intelligence.
- Extensive publicity in India and abroad.
- Participation in Trade Fairs and Exhibitions abroad.
- Deputation of trade delegations, study teams and sales teams to foreign markets.
- Organisation of Buyer-Seller Meets in India and abroad.
- Organisation of Seminars etc. to create awareness about the need to export.
- Enthusing the powerloom units in various centres to undertake upgradation of technology and modernisation of the units under TUFS.
- Advising the Government as well as other Departments on the issues relating to policies with regard to the production as well as exports.
- Organisation of various Programmes to impart knowledge on various aspects to manufacturers.
- Display of working of various types of attachment to show better working of looms.
- Assistance in resolving manufacturers / exporters problems.

### **12.2 Manufacturing for Export**

It is very necessary that the goods exported from India conform to international standards. The export contract should be clear about the specifications size/piece length, packing, marketing, etc. The goods produced in the manufacturing unit should be packed properly in cartons/bales/container brought to the port of loading and then shipped to the buyer. The buyer, on receiving the goods, inspects the same and if he is not satisfied with the quality of the merchandise, he may either reject the goods or demand discount. The buyer also may lose faith in the supplier and discontinue further trading. Getting back the rejected goods is again a complicated process and entails unnecessary costs. It is therefore necessary to manufacture exactly as per actually agreed specifications.

The specifications of the fabric depend on the end-use of the material. For example, if the sheeting is to be used as a curtain lining material, the fabric will have to be of wider width but coarser in quality. However, if it is required for further processing such as dyeing, bleaching, printing, etc. the

buyer will require defect free, longer piece length fabrics. These aspects should be taken into account while manufacturing for export. Self inspection for quality control while the goods are under production, will avoid much of the wastage. The goods should be subject to pre-shipment inspection by any of the approved agencies like the Textiles Committee. Inspection can be carried out as per specification given by the buyers or as per standard specification. The merchandise will have to be supplied in rolls/bales/cartons as required by the buyer. Packing also should be proper so that the goods do not get spoiled in transit or during transportation or warehousing. Bureau of Indian standards have laid down standards for packing different merchandise. This may serve as a guide for proper packing of the textiles.

### **12.3 Export Pricing:**

In any trading activity, Pricing plays the most crucial role. Export pricing has to take into account the following Factors:

1. Manufacturing cost.
2. Cost of Packing
3. Transportation Charges.
4. Warehousing charges.
5. Costs of inspection, measurement etc.
6. Expenses incurred at customs and central excise.
7. Miscellaneous charges.
8. Loading charges.
9. Freight charges and Insurance premium etc.

As against this, the exporter also has to take into account the export benefits available which can be deducted from the costs to make the price more competitive.

The price quoted should be based on F.O.B. / C&F / CIF/ C&F.C./ C.I.F.C. etc. per unit.

**F.O.B:** Free on Board; i.e. charges incurred upto loading of cargo on the vessel. Freight and Marine insurance charges will be borne by the buyer.

**C&F:** Cost and Freight. This include freight charges payable upto the destination in addition to the cost of material and other charges incurred upto loading of cargo on the vessel.

**C.I.F :** Cost, insurance and Freight. This includes total costs, freight charges and marine insurance premium.

**C & F.C/C.I.F.C:** If commission is payable to the overseas agent which forms an integral part of the sale contract, then the same is included in the price and quoted as C&F.C., C.I.F.C. etc. per unit.

## 12.4 Export Contract:

This forms the terms of agreement between the exporter and the importer. This will include the description and specification of the material, (such as count, construction, width, piece length etc. in case of fabrics and sizes in case of Towels, Bed Sheets, Pillow Case and also whether grey, dyed, printed, etc.) quantity, mode of Packing, unit price, delivery schedule payment terms (such as L/C, D/A, C.A.D. etc.) etc. care should be taken to supply goods strictly as per specification and to maintain delivery schedule.

Before entering into contract, with any overseas buyer, the exporters may contact the Export Credit and Guarantee Corporation of India Ltd (E.C.G.C.), about credit worthiness. The E.C.G.C. also guides exporters about the mode of payment to be accepted.

## 12.5 Modes of payments

1. D.P. : DOCUMENTS ON PAYMENT.  
Negotiating bank releases the documents only after the payment is received from the buyer
2. D.A. : DOCUMENTS OF ACCEPTANCE.  
The buyer releases the payment after he accepts the documents. In this case, there will be some time lag from the date of acceptance to the date of release of payment. For e.g. DA - 30 days means the payment will be released after 30 days.
3. L/C : LETTER OF CREDIT  
Letter of Credit is a document that ensures payment by the banker. Generally, the documents should contain all the particulars mentioned in the contract including the time schedule by which it should be negotiated. L/Cs can have following conditions.
  - Revocable : Can be revoked by the party opening the L/C
  - Irrevocable : Cannot be revoked once it is opened.
  - Confirmed : Confirmation by opening bank ensures adequacy of funds and payment or presentation.
  - Unconfirmed : Opening bank does not guarantee adequacy of funds.
  - Recourse : Opening bank will have to get clearance for payment even if all conditions are fulfilled.
  - Without Recourse : Opening bank will have to honour the bills without referring to the buyer.

L/C's can be opened even on D. A. terms.

In order to avoid problems of non-payment of bills or claims for discount by the buyer, the exporters should adhere to all terms of the contract and prepare shipping documents exactly as per the letter of credit or as per the payment terms agreed upon.

In case of dispute with reference to quality or non-performance of the contractual obligations, there should be immediate response from the exporter's side for ascertaining the correct position and should strive for an early amicable settlement. If the contract contains any clause about 'Arbitration' by arbitrators in case of dispute, the same should conform to the conditions laid down in the relevant Arbitration Act of the Govt. of India. This will facilitate arbitration in India.

### **12.6 Shipping & Customs Formalities**

The principal document required to be presented to Customs, is shipping bill. This is the main document required by the customs authorities for giving clearance for shipment. Shipping bill duly prepared and noted is to be presented to Customs with all related document like GR form, invoice etc. The export department of Customs, checks the particulars given in the shipping bill and the other documents. The Customs after satisfying themselves fully about the nature, content, price etc. of the goods permit shipment to be exported. The original copy of GR/PP form is retained by the Customs and forwarded to the Reserve Bank. After the shipping bill is stamped by the Customs, the cargo is allowed to be carted to port shed and docks.

### **12.7 Types of Invoices in Exports**

Different countries require various types of commercial invoices. Customs invoice, Consular invoice, legalized invoice etc. are the types of invoices, which are acceptable to the Customs Department. For export to countries such as Australia, USA and Canada special form of invoice is insisted by the customs in those countries.

Sometimes, the Commercial invoice is required to be certified by a Chamber of Commerce of the exporter's countries as a guarantee to cover some material aspects, of the trade. Commercial invoice is required to be legalized by the respective Embassy / Consulate in case of exports to some of the West Asian countries.

### **12.8 Foreign Exchange Forms – G.R.:**

GR is the most important form required to be filled in by exporters for all shipments, unless otherwise exempted, on exports to all countries, except Bhutan and Nepal. GR forms are prepared in duplicate, obtainable from the Reserve Bank of India or banks authorized to deal in foreign exchange, the GR forms are numbered by Reserve Bank. In respect of shipment of samples of no commercial value upto a certain limit prescribed, there is no need to produce GR form.



## **12.9 Standardised Pre-Shipment Export Documents :**

The Government has made it necessary to use standardised pre-shipment export documents with effects from 1<sup>st</sup> October 1991. The commercial documents such as proforma invoice, commercial invoice, packing list, bill of lading and certificate of origin are to be prepared on A4 size paper of specific dimensions. The regulatory documents such as gate pass; ARE form, shipping bill and GR forms are to be prepared on foolscap size paper. Exporters should prepare carefully master document I for commercial documents and master documents II for regulatory documents. The commercial / regulatory documents should be prepared by taking copies of the master documents by using mask for the portion not required for a particular document. This will ensure accuracy and efficiency for export operations management.

## **12.10 Certificate of Measurement:**

Freight is charged either on the basis of weight, measurement or size. A certificate of measurement from a Licensed Measurer is required to be obtained by the shipper for giving to the shipping company for calculation of freight.

## **12.11 Packing list**

The packing list is a consolidated statement of contents for a number of cases or packets prepared by the manufacturing mills for the purpose of final delivery from the factory premises. The list helps the exporter to be sure of the goods he packs in a case or cases and the importer to easily check the items that have been sent to him. Exporters should prepare the packing list for shipment based on the master document I.

## **12.12 EXPORT BENEFITS**

### **i) D.E.P.B. scheme**

- The Govt. has introduced "Duty Entitlement Pass-book" Scheme from the Export-Import Policy for the period 1997-2002.
- Under the Duty Entitlement Pass Book [DEPB] Scheme, an exporter shall be eligible to claim credit as a specified percentage of fob value of exports made in freely convertible currency. The credit shall be available against such export products and at such rate as may be specified by the Director General of Foreign Trade by a Public Notice issued in this behalf.
- Any item except those appearing in the Negative List of imports shall be allowed for import without payment of basic customs duty, special duty of customs as well as additional duty of customs, against the credit under a Duty Entitlement Pass Book [DEPB].

## **ii) Drawback**

- The Government has fixed drawback rates for many items of cotton textiles. These rates are revised from time to time according to the change in excise and customs duties. The drawback represents refund of non –remitted excise and custom duties on inputs used in the manufacture of export products. In order to be eligible for drawback benefits, the exporter should export the goods under drawback shipping bill.
- On the shipping bill copy, the exporter should give apart from the usual details, the applicable sub –serial; number of the drawback schedule, the rate of drawback applicable and the amount claimed, name of the bank nominated for receipt of drawback, account number to which drawback amount should be sent etc. Apart from shipping bill, documents such as ARE, bank certificate, invoice, packing list, declaration and test report wherever applicable, should be furnished to the customs.

## **iii) Excise duty refund or clearance of goods without payment of duty:**

- There are procedures laid down by GOI for refund of excise duty or clearance of goods for export without payment of excise duty.

## **iv) Octroi duty:**

- Under the Octroi Rules, articles imported into port towns for the purpose of export, are exempted from payment of Octroi duty.

The basic idea is to export goods and not local / indigenous duties and taxes from the country.