



“EXPORT PROCEDURE & DOCUMENTATION”

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Abstract:

Export documentation plays an important role in international marketing. It facilitates the smooth flow of goods and payments thereof across national frontiers. Several documents are required in every shipment. These documents must be properly and correctly filled in to avoid any discrepancies. Export documentation is, however, complex as the number of documents to be filled in is large, and so is the number of concerned authorities to whom the relevant documents are to be submitted. Incorrect documents may lead to the non-delivery of goods to the importer you may get the correct documents after some time but in the meantime, storage charges may have to be paid. Advisable to take the help of shipping and forwarding agents who will obtain and fill out the documents correctly as well as arrange for transportation. However, every exporter should have adequate knowledge about export documents and procedures.

Keywords: Export Marketing, Export Documentation, Export Procedure in India



Introduction:

At the outset, it must be mentioned that an improved system of documentation announced by the government of India on 31- march 1991 is fine and should be adopted by the exporters as for as possible.

Documentation in export trade plays a very significant role from the very beginning when an exporter gets an order from a foreign buyer to the final stage when the exporter seeks cash assistance and other incentives offered by the government. Documentation facilitates the smooth flow of physical goods and payment thereof across national frontiers. At every step during exporting, one or the other document is required. The exporter cannot move any further without documents. A distinguishing feature of international trade is the complex paperwork. Therefore, many small exporters are frightened by the extent and complexity of documentation.

This paper is all about to know about export procedure/ documentation of shipment. This project puts more focus on knowing custom clearness, making export import invoices, getting shipping bill numbers from the customs department, etc.

Advisable to take the help of shipping and forwarding agents who will obtain and fill out the documents correctly as well as arrange for transportation. However, every exporter should have adequate knowledge about export documents and procedures.

Exports are goods and services that are produced in one country and sold to buyers in another. Exports, along with imports, make up international trade. Instead of confining itself within its geographical borders, countries often intentionally seek external markets around the world for commerce, allowing greater revenue and transactional opportunities. The export industry is growing rapidly. Nowadays foreigncompaniessignagreements with Indian companies to get the goods as labour is cheap in India and they have to pay less.

SHAHI Export Pvt Ltd. is engaged in the export of garments. They are dealing with multiple brands like Walmart, Levi also delivers products to India as well as outside India.

OBJECTIVE OF THE STUDY:

1. To know about export procedure.
2. To know about different types of export modes.
3. To calculate the cost of the shipment.
4. To know the different types of containers used in shipment.



Company profile:

Shahi was established in 1974 by Mrs. Sarla Ahuja, who began her journey as a sewing machine operator in a factory. From its humble origins, the family-owned company has grown to become India's largest apparel manufacturer and exporter. We now operate more than 50 state-of-the-art manufacturing facilities across 9 Indian states with a diverse workforce of over 113,000 people. Our vertically integrated operations, diversified product range, and strong commitment to ethical operations and environmental sustainability have established Shahi as one of the most preferred garment manufacturers in the world.

Since 2008 Shahi has been awarded Highest Global Exports (Gold Trophy) by the Apparel Export Promotion Council (AEPC).

PRODUCT PROFILE:

There is a vast range of products is all manufactured in the company's own, well equipped and modern facilities. This company deals with Indian as well as foreign brands and is involved in producing a large variety of clothes.

REVIEW OF LITERATURE:

Export Procedure:

- The merchandiser dealing with foreign buyers is expected to know the procedure of exporting garments to the buyer. The knowledge of export procedures will only help the merchandiser to negotiate and manage the foreign buyers properly.
- The step-by-step procedure to be followed by an apparel manufacturing company to export their material is given below to export / import goods.
- The company will apply for an Indian export code number (IEC) to the Directorate General of Foreign Trade (DGFT) with the required documents. Once the number is received, the company can export goods to foreign countries. This step would have been taken care of by the company management when starting the company.
- As a merchandiser, the export procedure will start when a buyer inquiry is received. Based on the buyer's inquiry, a quotation with or without samples will be sent to the buyer as per his requirement.
- Negotiations will be done with respect to the pricing, terms of payment and terms of delivery
- Once the buyer confirms the pricing, terms of payment, and terms of delivery, the merchandiser and his team will send a proforma invoice to the buyer stating their commitment to the sale.
- Based on the proforma invoice, the buyer will send an export order or purchase order confirming the order.



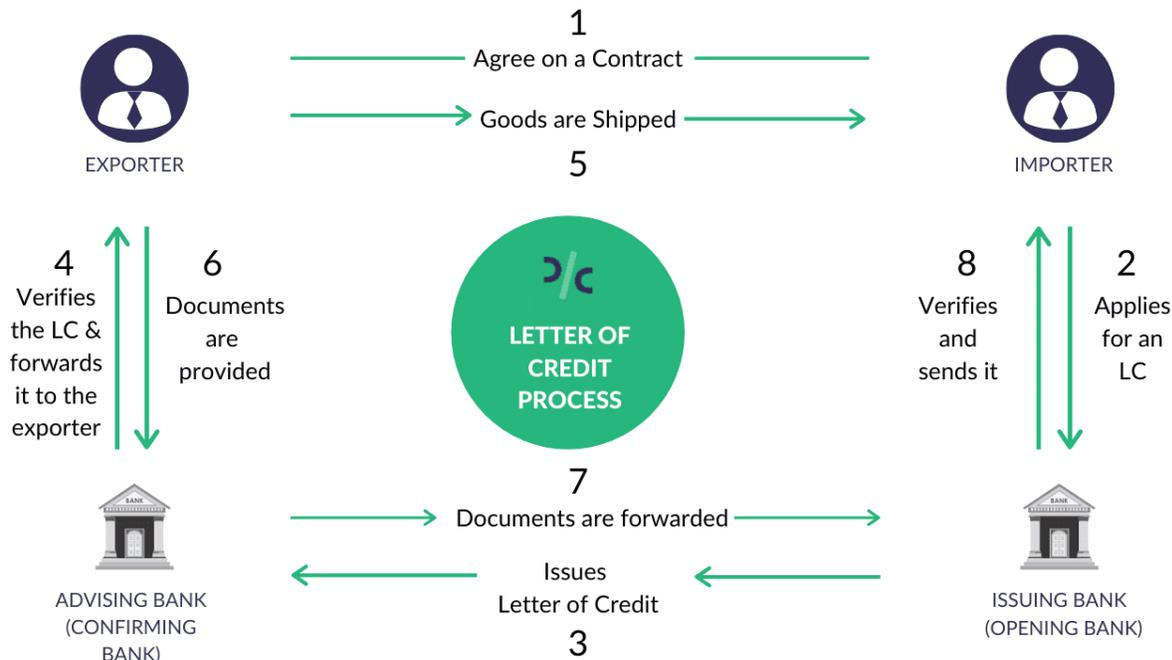
- According to the terms of payment (advance payment, documents against acceptance, documents against payments, letter of credit) mentioned in the order, the buyer and merchandiser's export department will work to arrange payment. Once the required funds are obtained, order execution is carried out. If the finished goods require quality checks by agencies like Intertek, SGS, BVQI, etc., as designated by the buyer, and is put in terms and conditions, then such inspection is arranged.
- After inspection, goods are arranged for proper packing.
- The merchandiser or the export department will decide on the mode of transportation as per the terms and conditions of the order and if it is sea, then they will decide the container (LCL – Less container load or FCL – Full container load) based on the type of goods and book the carrier. They may use clearing and forwarding agents to arrange for transport.
- If it is air transport, then the concerned air carrier will be contacted to transport the goods.
- Once the shipment is ready for export, the export team has a major role to play. They have to create many documents for exporting the goods. It starts with the creation of export invoices, export packing lists, etc. and they also apply for getting the certificate of origin.
- Necessary documents required for export customs clearance are prepared and sent to the customs department.
- Once required approval is obtained from customs, the material is transported to the port. The port authorities will provide the bill of lading in case of sea shipment and an airway bill number (AWB) in the case of air shipment.

After that term of payment is decided. Two types of payment terms:

1. Advance payment

2. Letter of Credit

In the letter of credit different parties are involved as shown below:



Incoterms (governs all the exports and imports made around the globe.)

Ex works (EXW) As per this delivery term, the seller gets the goods ready for shipment and informs the buyer about the shipment being ready. It is the buyer’s responsibility to take the material from the seller’s place of manufacture to his place. The buyer takes care of export customs declaration and all other activities thereof till the material reaches his place. The entire risk of shipment is on the buyer in the case of ex works.

In the Free carrier term, the seller obtains export clearance and carries the material to the designated place as instructed by the buyer. It could be like handing the material over to the carrier or placing the material in the seller’s premises for the buyer to come and take it.

Free alongside ship (FAS) In the FAS delivery term, the seller delivers the goods alongside the buyer’s vessel at the named port of shipment. The export clearances, carriage of material to the port of export, and unloading of truck in the port of export are all responsibilities of the seller and once material is unloaded at the port of shipment and placed alongside the vessel, then the responsibility shifts to the buyer.

FOB is the most commonly used pricing term in apparel export. As the name indicates, the seller spends money and holds responsibility for the goods till he loads the material onto the buyer’s vessel. The buyer pays the cost for transportation (sea/air), insurance fees, bill of lading fees, unloading, and transportation of goods from the port of destination.



Cost and freight (CFR) The seller pay for the carriage of the goods to the named port of destination. But the risk is transferred to the buyer once the material is loaded onto the ship in the country of export. Insurance and delivery costs at the named place of destination should be borne by the buyer. Sometimes cost for unloading in the port of import belongs to the seller as per the contract requirements. In this case, the seller pays the money for transport but the risk of transporting the material belongs to the buyer. So, if there is any issue in transit, it is at the buyer's risk.

Cost, insurance and freight (CIF) It is similar to CFR, with the exception that the seller has to pay for the insurance for the goods in transit till it reaches the port of destination. This delivery term requires seller to insure for 110% of the value of items shipped.

Pre-shipment inspection:

In any apparel export to foreign countries, buyers are very quality-conscious and expect the products to meet their prescribed standards and Export procedure and documentation. In this regard, they engage with various private inspection agencies who will do the pre-shipment inspection at the seller's place and confirm if the product meets the requirements as expected by the buyer. During contract execution, buyer mentions the required quality and standards to be adhered in the final garment and informs the same to the seller and puts it on the contract. Along with, the buyer engages inspection agencies to inspect the material before dispatch. The details of the inspection agency are also mentioned in the contract.

If the inspection is a pass, they issue a certificate of inspection for the product and the product is eligible for shipment. The certificate of inspection should be enclosed with other shipping documents sent to the buyer. Buyer also uses these agencies for compliance audit at times.

Pre-shipment inspection is very advantageous to the buyer as it ensures quality of the product, saves time in waiting for low quality goods if any, reliability of the parties involved increases and risk in quality is taken care of. Inspection agencies charge fees for inspection and it is paid by the buyer or seller as agreed in the contract.

Need for export documentation:

- To effect the shipment on time
- To ship the correct goods
- To ensure the quality of goods
- To clear the export customs procedure
- To describe the shipment and the contents in it
- To indicate the ownership of goods
- To facilitate smooth flow of goods across borders to the designated country
- To avoid disputes with the importer
- To ensure proper government procedures are followed
- To avoid any unlawful activities
- To obtain payment from the buyer after completing all the formalities through his/her bank.



Export Documents:

These are the documents that are used in export as required by the customs of trade for enabling physical transfer of goods, passing the title from the seller (exporter) to the buyer (importer) and for realizing the export proceeds.

The various principal documents used in export are as follows:

1. Commercial invoice
2. Packing list
3. Bill of Lading / Airway bill
4. Certificate of Inspection / Quality control
5. Certificate of origin
6. Bill of exchange
7. Insurance certificate.

Air Transport Documents: Appears on its face to indicate the name of the carrier and to have been signed or otherwise authenticated by the carrier or a named agent for or on behalf of the carrier. Indicates that the goods have been accepted for carriage. Where the credit calls for an actual date of dispatch, indicates a specific notation of such date the date of dispatch so indicated on the air transport document will be deemed to be the date of shipment. Indicate the airport of departure and the airport of destination stipulated the credit. Appears to be the original for consigner/ shipper even if the credit stipulates a full set of Originals, or similar expression.

FINDINGS:

- A minor mistake in filling documents will cause a huge loss to company so only well experienced person should fill the documents.
- Sending the documents, the person in charge must take care to send all the necessary documents otherwise the goods cannot be released.
- Drafts are presented after letter of credit has expired (or) after time for shipment has expired. Invoice value or draft exceeds amount available under letter of credit.
- Charges included in the invoice are not authorized in the letter of credit.
- Not all documents required by letter of credit are presented.
- Invoice does not specify shipment terms (CPF, CIR, FOB etc.,) as stated in letter of credit.
- There are numerous procedures in “customs clearance” for documentation.
- The customs brokerage charged for documentation is high competition in the market for export.
- Certain countries documents are very difficult to prepare
- The documentation process gets delayed in case of agents and agent delay working.



SUGGESTIONS:

- Trained person can be appointed for preparation of documentation
- For looking after the “customer clearance” there can be separate person so that everyone can do there work on time.
- As far as possible only one bank can be used to avoid confusion.
- Transportation can be made early itself to avoid late shipment.
- Country wise documents can be distinguished to avoid confusion
- Alternatives can be made for transport strike.
- During customs holiday the goods can be sent early itself.

CONCLUSION:

Documentation plays a important role in International trade. Documentation helps in the smooth flow of physical goods and payment across national frontiers. The complexity of documentation can be eliminated when prepared by experienced personnel. The document required differs from country to country before filing. Care must be taken while filling the documents as minor error may result in huge loss the company. Most of the companies have trained personals to fill in such documents to avoid complexities later. While sending copies of certain documents the original is however retained for further verification on a later date.

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