

#### FEDERATION OF INDIAN EXPORTERS ORGANISATION



### **Facilitating Exports**

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- ➤ What is Exports Supply of goods or services outside India Boundary of the country-Sea- 7 nautical miles, Air- airborne
- Why Exports- as a Country —Sector earning Foreign Exchange, Employment generation, Economic growth, Technological development through import, Development of industry, Compete with global players, better products for local population.....
- Why Exports –as an Exporter: To achieve niche space than domestic market. Diversify risks in buyer segments, growth of business, increase in profitability.

Country needs exports ... push your system ... GO FOR IT



#### Requirements for becoming an Exporter

- 1. Firm-proprietorship, partnership /Company /LLP-PAN
- 2. Account with Bank -AD Letter for IEC
- 3. Importer Exporter code DGFT
- 4. RCMC- Membership of EPC/Commodity Boards/FIEO.
- 5. Registration of AD Code at Port/Multiple ADs/Ports **ENSURE ALL PROCEDURES ARE COMPLETED**



#### **Foreign Trade-Export Declaration Forms-Regulatory Forms:**

- EDI /Non EDI ports ( Electronic Data Interchange )
- Shipping Bill for shipments by Sea/Air
- Cargo / Bulk Break
- Courier Shipping Bill- CSB- V
- Postal Bill of Export
- ➤ Softex- for Software exports-STPI/ SEZ

  CHECK FOR YOUR MODE OF SHIPMENT PROCEDURES



#### <u>Foreign Trade-Product Identification –</u>

- **Prohibited**-Firearms and ammunition.
- •Live birds and animals including pets.
- •Plants and their produce e.g. fruits, seeds.
- •Endangered species of plants and animals, whether alive or dead..

**Restricted** – Horses for Polo, Asses, Mules-

Time to time restrictions are imposed on some of the agri products with quantity, quality and port of export for control purposes.

<u>Freely allowed</u>—Not specified in prohibited or restricted list <u>PRODUCT-FREELY ALLOWED FOR EXPORTS / NO RESTRICTIONS</u>



#### **Harmonised System of Nomenclature (HSN)**

This system has been introduced for the systematic classification of goods all over the world. **HSN code** is a 6-digit uniform **code** that classifies 5000+ products and is accepted worldwide. It was developed by the World Customs Organization (WCO) and it came into effect from 1988.

<u>India</u>, a member of WCO since 1971, has been using **HSN** codes since 1986 to classify commodities for Customs and Central Excise.

In the 8 digit structure of an **HSN Code**, the first 2 digits **define** the Chapter, at 4 digit level are the headings, at 6 digit are the subheadings and finally at 8 digit are the tariff items.



#### **Harmonised System of Nomenclature (HSN)-INDIA**

Chapter 10- Cereals-1001- Wheat and Meslin 100199- other 10010910- Wheat

Chapter-08-Edible Fruit and Nuts, peal and citrus fruits 0803- Bananas incl. plaintains-fresh or dried 0804- Dates, Figs, Gauvas, Mangoes-fresh or dried 080450-Guavas and Mangoes 08045021-Alphanso(Haphus).08045023-Chausa, 08045025-Langda, 08045026-Kesar

#### KNOW YOUR HSN / KNOW BUYER COUNTRY HSN



#### **Documents for Exports**

Financial Documents: Bill of Exchange / Draft (Hundi)

Commercial Documents: Commercial Invoice ( Proforma

Invoice / Sales Contract), Packing list.

Shipping Documents: Bill of Lading (Sea), Airway Bill (Air),

Rail Receipt, Lorry Receipt, Courier/postal Receipt

Regulatory- Shipping Bill (Sea or Air), CSB-V(Courier),

Postal bill of Export

**Others:** Insurance Policy/Certificate, Inspection Certificate, Certificate of Origin, Phytosanitary /Fumigation Certificate (SGS), "Goodweave" Certificate for Carpet- Child labour).

Know your document requirements- Product /Country



#### **Export Payments-**

#### Manner of receipt of payment:

- ✓ Freely Convertible currency- Nostro/Vostro
- ✓ Debit to FCNR/NRE account
- ✓ Credit / Debit cards
- ✓ ACU countries@ –ACU Dollar
- ✓ Nepal- Convertible currencies / Rupees
- ✓ Iran/Russia-Special arrangement/Rupee/Convertible currency
- ✓ OPGSP- Payment Gatway- Paypal/Payoneer (E-commerce)

@ ACU Countires- Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal, Pakistan and Sri Lanka



#### **FEMA 2000**

CHAPTER I -- PRELIMINARY

CHAPTER II-- REGULATION AND MANAGEMENT
OF FOREIGN EXCHANGE

CHAPTER III --AUTHORISED PERSON

CHAPTER IV -- CONTRAVENTION AND PENALTIES

CHAPTER V -- ADJUDICATION AND APPEAL

CHAPTER VI -- DIRECTORATE OF ENFORCEMENT

CHAPTER VII--MISCELLANEOUS



#### FEMA 2000-Chapter II-Regilation and Management of Foreign Exchange

- 1. Dealing in foreign exchange, etc-Authorised Dealers (AD)
- 2. Holding of foreign exchange, etc.
- 3. Current account transactions-Exports/Imports/Remittances
- 4. Capital account transactions-FDI/ODI/ECB
- 5. Export of goods and services
- 6. Realization and repatriation of foreign exchange.



#### FEMA 2000-Ch 1- 2- Definitions-Export

- (I) "export", with its grammatical variations and cognate expressions, means—
- (i) the taking out of India to a place outside India any goods,
- (ii) provision of services from India to any person outside India;



#### FEMA 2000-7. Export of goods and services.—

- (1) Every exporter of goods shall—
- (a) furnish to the Reserve Bank or to such other authority a declaration in such form and in such manner as may be specified, containing true and correct material particulars, including the amount representing the full export value or, if the full export value of the goods is not ascertainable at the time of export, the value which the exporter, having regard to the prevailing market conditions, expects to receive on the sale of the goods in a market outside India;
- (b) **furnish** to the Reserve Bank such other information as may be required by the Reserve Bank for the purpose of **ensuring the realisation of the export proceeds by such exporter.**



#### FEMA 2000-7. Export of goods and services.—

- (2) The Reserve Bank may, for the purpose of ensuring that the full export value of the goods or such reduced value of the goods as the Reserve Bank determines, having regard to the prevailing market conditions, is received without any delay, direct any exporter to comply with such requirements as it deems fit.
- (3) Every exporter of services shall furnish to the Reserve Bank or to such other authorities a **declaration** in such form and in such manner as may be specified, **containing the true and correct material particulars in relation to payment for such services.**



#### **FEMA 2000-**

8. Realization and repatriation of foreign exchange.—Save as otherwise provided in this Act, where any amount of foreign exchange is due or has accrued to any person resident in India, such person shall <u>take all reasonable steps</u> to <u>realise and</u> repatriate to India such foreign exchange <u>within such period</u> and in <u>such manner</u> as may be specified by the Reserve Bank.



Submission -21 days from the date of Shipment.

Dispatch of Goods v/s Dispatch of Export Documents-

#### Direct dispatch of export documents by the exporters allowed

- 100% advance payment
- Irrevocable LC is received
- ➤ Status holder exporters\* or units in SEZ
- ➤ Other cases AD may **regularize bills**, subject to conditions.



#### \*Status Holder Exporters –

Status holder" means an exporter recognised as "Export House/Trading House by DGFT/ Development Commissioner or Star Trading House/ Super Star Trading House" by the Director General of Foreign Trade. "Third-party exports" means exports made by an exporter or manufacturer on behalf of another exporter(s).

Status category	FoR (as converted) value in US dollar million
One Star Export House	USD 3 million
Two Star Export House	USD 25 million
Three Star Export House	USD 100 million
Four Star Export House	USD 500 million
Five Star Export House	USD 2000 million



#### **Realization and repatriation of exports**

9 \* months

15 months-goods exported to warehouse-AD approval.

\*15 months under COVID dispensation -shipments made upto 31 July 2020.



# RBI Guidelines on Advance Against Exports

#### Shipment to be made within 12 months

- ➤ If no shipments are made, <u>Refund</u> can be made within 12 months without RBI approval
- ➤ Interest at maximum rate of <u>LIBOR plus 100 bps</u> can be paid.
- Shipment beyond 12 months can be regularized



#### **Regularization of Export Bills**

- Payment is realized in full
- Exporter is a regular customer for at least 6 months
- ➤ Account is KYC/AML compliant as per RBI guidelines.
- >AD is satisfied about the bonafides of the transaction.
- Cases upto USD 1.00 million ( since removed )



#### **Export Bills –Discount / Invoice reduction**

- > Upto 25 % of each invoice
- ➤ Without any ceiling maximum 5% of average export realization of past 3 years for exporters with satisfactory track record

#### Check points -

- Commodities with **floor price restrictions**
- Exporter not on RBI Caution list
- ➤ Surender of **proportionate incentives / Drawback**

Discount/ commission is known before shipment- To be declared in SB.



#### Write-off of export bills:

S No	Particulars	Write off % #
1	Self write off by exporters (Non status holders)	5 %
2	Self Write off by Status holder Exporters	10%
3	Write off by AD Banks	10%

# % of export proceeds **realized** during previous **calendar year**. Where bills remain unrealized for more than one year

- Evidence of exporter having made all efforts to realize
- ❖ EDF/SB under investigation of DOE/ CBI/DRI not allowed.
- Countries with externalization problems, where buyer has paid in local currency, not allowed.



#### Write-off of export bills - Reasons for write off

- ❖ Buyer Insolvent- certificate from official liquidator
- ❖ Buyer not traceable-FIR, Police reports, etc.
- Goods auctioned by customs /port authorities in buyer's country, Settlement through Indian Embassy/Consulate
- Undrawn balances upto 10% of invoice value,



#### Extension of export bill -if unpaid till stipulated period

- ➤ Transaction should not be under investigation by CBI / DOE.
- ▶6 months at a time.
- >AD satisfied about the reasons
- The total outstanding does not exceed USD 1.00 million or 10% of the average export realizations of previous 3 years.
- > Legal cases can be extended without any ceiling /time limit



#### **Set off of Export Receivables against Import Payables**

- ➤ Set off allowed from same party /group concern
- ➤ Export and Import legs during same calendar year.
- ➤ Not allowed for Services -Goods v/s Services or vice a versa.
- ➤ Not allowed for ACU transactions
- ➤ Both transactions through same AD Bank

#### Net off allowed to SEZ units-

- ➤ Same Indian entity and overseas buyer/seller
- ➤ Netting as on the date of balance sheet of SEZ unit



## FEMA 2000-Reserve Bank of India Guidelines Master Direction on Export of Goods and Services

#### **Third party Exports**

- -Firm order/tripartite agreement
- -Name of third parry to be declared in SB
- -If not declared —to the satisfaction of AD Bank.

#### **Trade discount:**

-To be declared in EDF / SB

#### **Agency Commission on Exports**

-To be declared on SB



## FEMA 2000-Reserve Bank of India Guidelines <u>Master Direction on Export of Goods and Services</u>

#### **Export Claims**

- -Remittance allowed-full proceeds realized
- -Surrender proportionate incentives

#### Settlement of exports to ACU countries

- -Asian Monetary Unit- ACU Dollar /ACU Euro
- -Settlement of Trade through ACU mechanism
- -Not mandatory for trade under Bilateral Treaties.



## FEMA 2000-Reserve Bank of India Guidelines <u>Master Direction on Export of Goods and Services</u>

Set off of Export receivables against Import payables

- -Same counter parties
- -Not permitted for ACU countries
- -Same Calendar Year Export and Export



## FEMA 2000-Reserve Bank of India Guidelines <u>Master Direction on Export of Goods and Services</u>

Export Data Processing Management System Implemented from 1.3.2014.

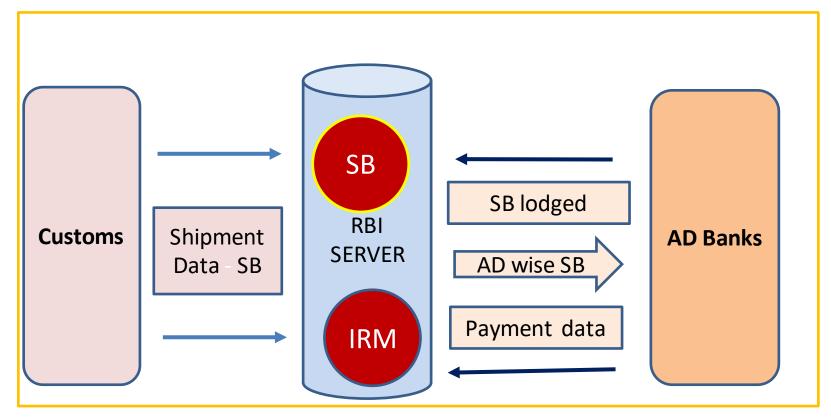
All Shipping Bills from EDI ports, captured in system to flow to RBI /AD Banks

All payments against export bills to flow in the system Update of data on Advance against Exports implemented from 30.6.2016.

All Export related reporting by Banks now part of EDPMS FIU- ND – to examine Trade Based Money Laundering



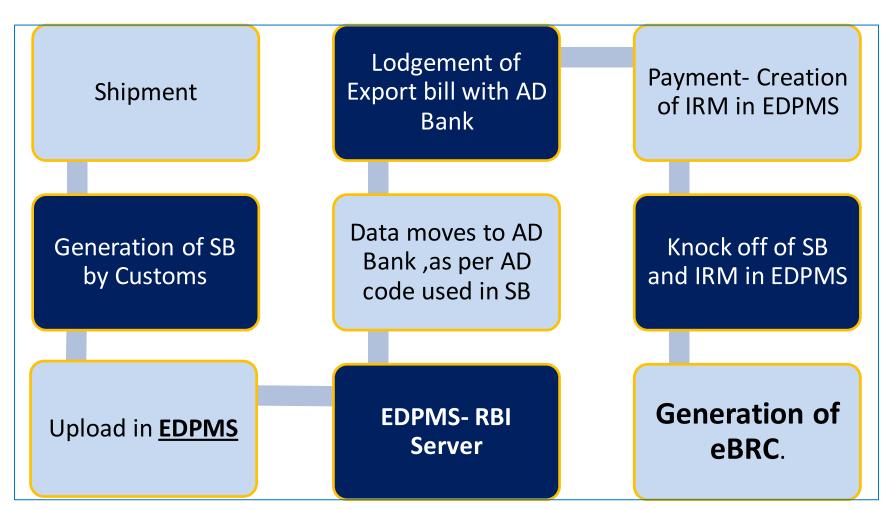
### **EDPMS-System**



IEC, AD Code, SB details, IRM details, AD Transfer, e-FIRC, Extension of SB, Write off, Overdue data, DOE reported, etc



### **Exports - Transaction**





#### **Export Finance**

- Pre shipment
- Post shipment Bill finance
- Concessional finance priority sector lending
- Finance in foreign currency at LIBOR linked Rates



- Costs for INR funding- linked to Benchmark- Reportate around 8.00% -8.50%
- Cost in foreign currency Linked to LIBOR Libor plus 2 to 3%- total 3.00 to 3.50 %

Interest Rate Subvention / Subsidy by GOI to promote Exports – available ONLY for INR export Credit



#### **Exchange Rates-An important factor in Exports**

#### **Types of Rates**

Exchange Rate- EXCHANGE of currencies- rate at which one currency is exchange with another currency.

#### **Purchase / Sale rates**

Inter Bank/ Merchant Rates

Cash/Tom/Spot/Forward Rates

#### **Direct Quote/Indirect Quote:**

Direct- When Base currency is USD 1 unit- 1USD = INR 68.15, 1 USD = 7.84 HKD, 1USD = 109.90 JPY.

Indirect- when Base currency, a non USD currency is fixed and USD is Variable- 1 AUD = 0.7380, 1 GBP=1.3250, 1 EUR =1.1615.



#### **Exchange Rates-An important factor in Exports**

Factors effecting Exchange Rates:

**Fundamental Factors-** Balance of Payment, Economic growth Rate, Fiscal Policy, Monetary Policy, Interest Rates, Political Issues- stability in policies, politics, etc.

**Technical Reasons:** Unrealistic value of currency due to government policies, Freedom or restriction in movement of capital, Huge surpluses, large inflows/outflows, Capital tends to move from surplus to deficit areas, from lower yielding to higher yielding currencies,.

**Speculation:** movement in demand / supply due to expected future price, expectation of revaluation, devaluation, etc. Trading in Currencies –Book running.



#### **Exchange Rates-An important factor in Exports**

Buy LOW, Sell HIGH

Take MORE / Give LESS

DEDUCT Margins when selling to customers, ADD Margins when buying from Customers.

Currency with <u>Higher</u> interest rate will generally be at a discount, while that with <u>Lower</u> interest rate at a premium.

Add Premium/ Deduct Discount from Spot rate to get Forward rate.

Pass lower premium/ charge higher premium, inverse for Discounts.



#### **Exchange Rates-Hedging of Exchange risk**

<u>Derivative</u>: is an instrument or a product whose value changes with change in one or more underlying variable, eg., Stocks, Currencies, Commodities, interest rates.

The value of these financial instruments are derived from the values of underlying exposure.

Derivative instruments offer a vehicle to manage risks, arising out of uncertainties, inability to visualize the potential state on some future date.

Basic derivatives in foreign exchange markets include- forwards, Swaps, Options, and Futures.



## Exchange Rates-An important factor in Exports Premium and discount

If forward value of a currency is higher (**Costlier**) than its spot value- it is known to be at Premium- USD 1=Spot 68.15/17- 1 month forward difference 10/12: 68.25/29.

If forward value of a currency is lower **(Cheaper)** than its spot value- it is known to be at Discount -in the above case INR forward is at a discount to USD. AUD /USD Spot 0.7910/0.7930, 1 month forwards 1.2600/1.4800- Rate will be 0.7784/7782

Here, Interest rate for INR and AUD are higher than USD interest rates-Interest Rate Diferrential. (besides demand/supply gaps)



#### **Exchange Rates - Hedging of Exchange risk**

**Forward Contract** is a binding agreement between two parties to purchase and sell a specific quantity of foreign currency at a specified price at a specified future date (range of dates). The risk of probable loss, arising out of adverse movement of price of currencies, can be avoided with Forward contracts.

The Contract is an obligation on the buyer to take delivery of the currency and on the seller to provide delivery of the currency, on a given date at a given price. Contract is binding on both parties. Forward contracts are OTC contracts- over the counter. / made to order contracts.



#### **Exchange Rates-Hedging of Exchange risk**

**Futures** are similar to Forward Contracts, except that these are standardized and are traded on Exchanges.

As for Forward contracts, the buyer and seller are under obligation to give and take delivery of underlying, at a specified date at the specified rate.

Futures Exchange is one of the party in Futures Deal- Exchange is a market place where other parties can buy or sell contracts, as per their requirements/views.

Contracts are specific in lot size, and delivery dates/periods.



#### **Exchange Rates - Hedging of Exchange risk**

An **Option Contract** is a right to BUY or Sell a contracted underlying on a given date, at a pre-agreed price.

The buyer gets the right, but is not under obligation to perform under the contract.

This right to the buyer, comes at a price-known as option Premium.

The seller is under obligation to perform under the contract, if the same is exercised by the buyer.



#### **Exchange Rates-An important factor in Exports**

Credit of USD 100,000 received in Nostro maintained with Chase NY., against a bill sent for collection. Exporter asks for Credit in current account. Exchange rate on the given day is 63.76/77. Margin to be charged 8 paise.

- Q 8. Which rate will be applied
- a. TT Selling
- b. Bill buying
- c. TT Buying
- d. Bill Selling.



#### **Exchange Rates-An important factor in Exports**

Forward Contract to be booked for delivery March 2018- Value

USD 50,000.00, when rates are: Spot IB 73. 64/65

Forward premium; Spot Jan: 8/10 ps,

Spot April: 20/21ps

Spot May : 33/34ps

Spot June; 45/46ps

Calculate forward rate- For Export Advance payment to be received during the month of June 2021, Margins TT 10 paise.

Contd ....



#### **Exchange Rates-An important factor in Exports**

Forward purchase contract TT – delivery June 2021

Spot rate 73.6400

Add Premium (for May ) 0.3300

73.9700

Less Margin 0.1000

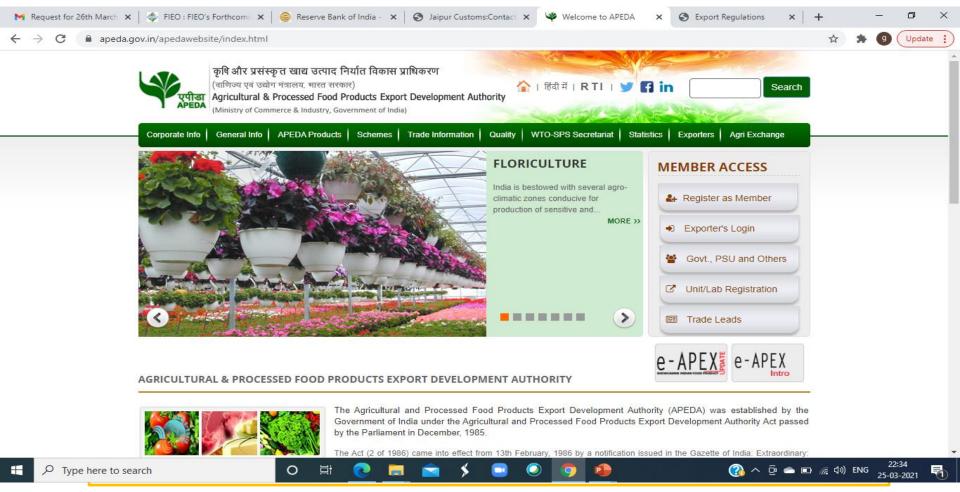
Rate quoted to customer 73.8700



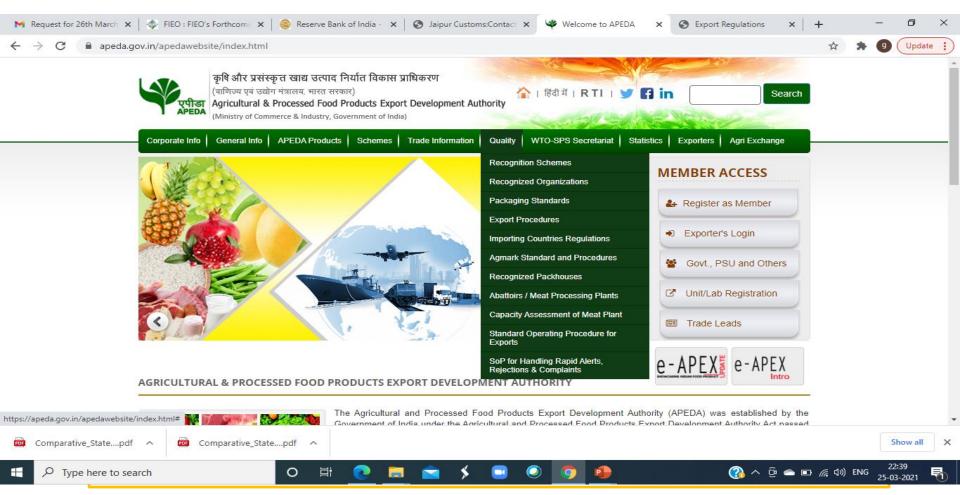
#### Agricultural Exports from India

- Rice (Basmati and Non-Basmati)
- Vegetables.
- Fruits.
- Groundnut.
- Pulses.
- Sheep/Goat Meat.
- Wheat.
- Dairy Products.

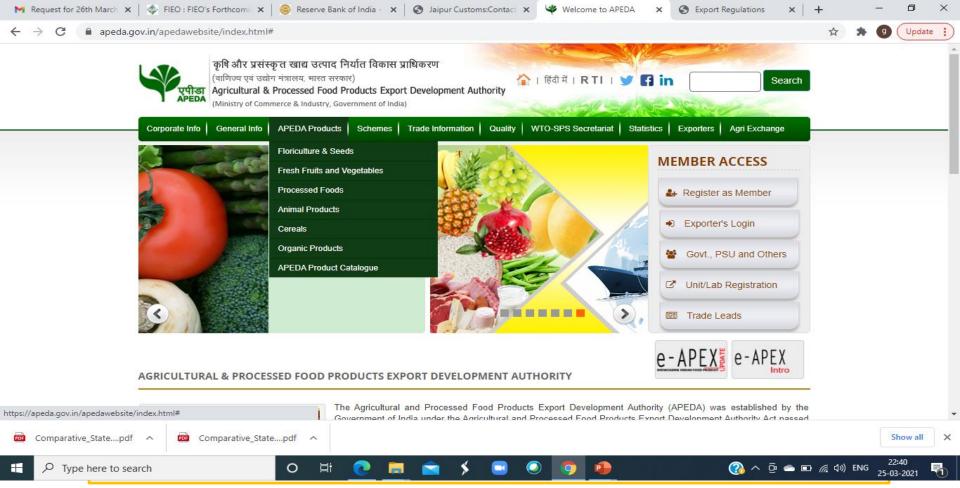














- ➤ UP State grows wheat, maize, paddy, potato, sugarcane, pulses, oil seeds and many others fruit and vegetable crops. **Uttar Pradesh** produces 21% of food grains, 10.8 % fruits and 15.4% of the vegetables produced in the country.
- Exports from UP- Animals and animal products, leather and leather products, construction material, gems and jewellery and textiles and garments have been identified as sectors with the maximum potential for **exports** from **Uttar Pradesh**, not only because the State has comparative advantage in **exports** of these products but also because the ...



☐ Market segment – Engineering, handicrafts, Chemicals and pharmaceuticals, Gems and Jewellery, Textiles, Garments and made ups, Agricultural and Food products, Carpets, Cashew nuts, Coffee and Tea, Coir and coir products, Leather and leather goods, Handloom and power loom items, Marine Products, Rubber products, project exports, Spices, Sports goods, Tobacco products, Wool and woolens, ( 32 Export **Promotion Councils**)



- ➤ Main export zones in UPUK Varanasi, Bhadohi, Lucknow, Kanpur, Agra, Aligarh, Moradabad, Meerut, Saharanpur, Dehradun, Haridwar...
- Location of ICD- Inland container Depots: Kanpur- Panki, Moradabad, Varanasi-Ramnagar, Gaziabad-Loni, Noida, Dadri-Greater Noida, Saharanpur, Modinagar,



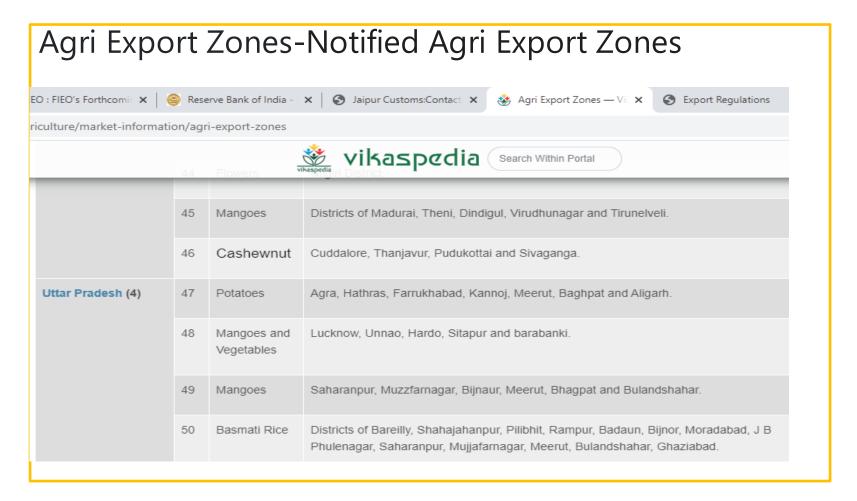


Times of india –Feb 1`6, 2021











# UP's new export policy focuses on doubling farmers' income, boosting agricultural exports

The new export policy envisages simplification of the export process, early disposal of export-related forms of various departments of the state through a single-window system and troubleshooting exporters' problem by the Export Promotion Bureau, development and promotion of Make in UP and Make in India brands.

The Adityanath government has decided to promulgate the Uttar Pradesh Export Policy 2020-25 that focuses on doubling farmers' income, boosting agriculture exports, Make in UP and Make in India.

By <u>HT Correspondent</u> | Hindustan Times, Lucknow UPDATED ON NOV 26, 2020 03:10 PM IST



#### **THANK YOU**



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