Syllabus

Class: - B.Com I Year

Subject: - Export/Import Management

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UNIT-I

International Bodies (Organizations)

On the other hand, we also find that the UN is generally regarded as the most important international organisation in today's world. In the eyes of many people all over the world, it is indispensable and represents the great hope of humanity for peace and progress. Why do we then need organisations like the UN? Let us hear two insiders: "The United Nations was not created to take humanity to heaven, but to save it from hell." — Dag Hammarskjold, the UN's second Secretary-General

International organisations are not the answer to everything, but they are important. International organisations help with matters of war and peace. They also help countries cooperate to make better living conditions for us all. Countries have conflicts and differences with each other. That does not necessarily mean they must go to war to deal with their antagonisms. They can, instead, discuss contentious issues and find peaceful solutions; indeed, even though this is rarely noticed, most conflicts and differences are resolved without going to war. The role of an international organisation can be important in this context. An international organisation is not a super-state with authority over its members. It is created by and responds to states. It comes into being when states agree to its creation. Once created, it can help member states resolve their problems peacefully. International organisations are helpful in another way. Nations can usually see that there are some things they must do together. There are issues that are so challenging that they can only be dealt with when everyone works together. Disease is an example. Some diseases can only be eradicated if everyone in the world cooperates in inoculating or vaccinating their populations. Or take global warming and its effects. As temperatures rise because of the increase in greenhouse gases in the atmosphere, there is a danger that sea levels will also rise, thereby submerging many coastal areas of the world including huge cities. Of course, each country can try to find its own solution to the effects of global warming. But in the end a more effective approach is to stop the warming itself. This requires at least all of the major industrial powers to cooperate.Followings are some international bodies.

IMF

The International Monetary Fund (IMF) is an international organisation that oversees those financial institutions and regulations that act at the international level. The IMF has 189 member countries (as on 12 April 2016) but they do not enjoy an equal say. The G-7 members US (16.52%), Japan (6.15%), Germany (5.32%), France (4.03%), UK (4.03%), Italy (3.02%) and Canada (2.22%) have 41.29% of the votes. China (6.09%), India (2.64%), Russia (2.59%) Brazil (2.22%) and Saudi Arabia (2.02%) are the other major members.

FOUNDATIONS OF UNITED NATION

1941August: Signing of the Atlantic Charter by the US President Franklin D. Roosevelt and British PM Winston S. Churchill

1942 January: 26 Allied nations fighting against the Axis Powers meet in Washington, D.C., to support the Atlantic Charter and sign the 'Declaration by United Nations'

1943 December: Tehran Conference Declaration of the Three Powers (US, Britain and Soviet Union)

1945 February: Yalta Conference of the 'Big Three' (Roosevelt, Churchill and Stalin) decides to organize a United Nations conference on the proposed world organization

April-May: The 2-month long United Nations Conference on International Organization at San Francisco 1945 June 26: Signing of the UN Charter by 50 nations (Poland signed on October 15; so the UN has 51 original founding members) 1945 October 24: the UN was founded (hence October 24 is celebrated as UN Day)

1945 October 30: India joins the UN

EVOLUTION OF THE UN - The First World War encouraged the world to invest in an international organisation to deal with conflict. Many believed that such an organisation would help the world to avoid war. As a result, the League of Nations was born. However, despite its initial success, it could not prevent the Second World War (1939-45). Many more people died and were wounded in this war than ever before. The UN was founded as a successor to the League of Nations. It was established in 1945 immediately after the Second World War. The organisation was set up through the signing of the United Nations Charter by 51 states. It tried to achieve what the League could not between the two world wars. The UN's objective is to prevent international conflict and to facilitate cooperation among states. It was founded with the hope that it would act to stop the conflicts between states escalating into war and, if war broke out, to limit the extent of hostilities. Furthermore, since conflicts often arose from the lack of social and economic development, the UN was intended to bring countries together to improve the prospects of social and economic development all over the world. By 2011, the UN had 193 member states. These includeed almost all independent states. In the UN General Assembly, all members have one vote each. In the UN Security Council, there are five permanent members. These are: the United States, Russia, the United Kingdom, France and China. These states were selected as permanent members as they were the most powerful immediately after the Second World War and because they constituted the victors in the War. The UN's most visible public figure, and the representative head, is the Secretary-General. The present Secretary-General is António Guterres. He is the ninth Secretary-General of the UN. He took over as the Secretary-General on 1 January 2017. He was the Prime Minister of Portugal. (1995-2002) and the UN High Commissioner for Refugees (2005-2015). The UN consists of many different structures and agencies. War and peace and differences between member states are discussed in the General Assembly as well as the Security Council. Social and economic issues are dealt with by many agencies including the World Health Organisation (WHO), the United Nations Development Programme (UNDP), the United Nations Human Rights Commision (UNHRC), the United Nations High Commission for Refugees (UNHCR), the United Nations

Children's Fund (UNICEF), and the United Nations Educational, Scientific, and Cultural Organisation (UNESCO), among others.

WORLD BANK- The World Bank was created during the Second World War in 1944. Its activities are focused on the developing countries. It works for human development (education, health), agriculture and rural development (irrigation, rural services), environmental protection (pollution reduction, establishing and enforcing regulations), infrastructure (roads, urban regeneration, electricity) and governance (anti-corruption, development of legal institutions). It provides loans and grants to the member-countries. In this way, it exercises enormous influence on the economic policies of developing countries. It is often criticised for setting the economic agenda of the poorer nations, attaching stringent conditions to its loans and forcing free market reforms.

WTO - The World Trade Organisation (WTO) is an international organisation which sets the rules for global trade. This organisation was set up in 1995 as the successor to the General Agreement on Trade and Tariffs (GATT) created after the Second World War. It has 164 members (as on 29 July 2016). All decisions are taken unanimously but the major economic powers such as the US, EU and Japan have managed to use the WTO to frame rules of trade to advance their own interests. The developing countries often complain of non-transparent procedures and WTO being pushed around by big powers.

IAEA- The International Atomic Energy Agency (IAEA) was established in 1957. It came into being to implement US President Dwight Eisenhower's "Atoms for Peace" proposal. It seeks to promote the peaceful use of nuclear energy and to prevent its use for military purposes. IAEA teams regularly inspect nuclear facilities all over the world to ensure that civilian IAEA reactors are not being used for military purposes.

AMNESTY INTERNATIONAL Amnesty International is an NGO that campaigns for the protection of human rights all over the world. It promotes respect for all the human rights in the Universal Declaration of Human Rights. It believes that human rights are interdependent and indivisible. It prepares and publishes reports on human rights. Governments are not always happy with these reports since a major focus of Amnesty is the misconduct of government authorities. Nevertheless, these reports play an important role AMNESTY INTERNATIONAL in research and advocacy on human rights.

EXPORT AND IMPORT CYCLE

India's customs authorities have launched the Indian Customs Compliance Information Portal detailing customs procedures and regulatory compliances for import-export trade.

Import procedures

Typically, the procedure for import and export activities involves ensuring licensing and compliance before the shipping of goods, arranging for transport and warehousing after the unloading of goods, and getting customs clearance as well as paying taxes before the release of goods.

Below, we outline the steps involved in importing of goods.

1. Obtain IEC

Prior to importing from India, every business must first obtain an Import Export Code (IEC) number from the regional joint DGFT. The IEC is a pan-based registration of traders with lifetime validity and is required for clearing customs, sending shipments, as well as for sending or receiving money in foreign currency. The process to obtain the IEC registration takes about 10-15 days.

2. Ensure legal compliance under different trade laws

Once an IEC is allotted, businesses may import goods that are compliant with Section 11 of the Customs Act (1962), Foreign Trade (Development & Regulation) Act (1992), and the Foreign Trade Policy, 2015-20. However, certain items – restricted, canalized, or prohibited, as declared and notified by the government – require additional permission and licenses from the DGFT and the federal government.

3. Procure import licenses

To determine whether a license is needed to import a particular commercial product or service, an importer must first classify the item by identifying its Indian Trading Clarification based on a Harmonized System of Coding or ITC (HS) classification. ITC (HS) is India's chief method of classifying items for trade and import-export operations. The ITC-HS code, issued by the DGFT, is an 8-digit alphanumeric code representing a certain class or category of goods, which allows the importer to follow regulations concerned with those goods. An import license may be either a general license or specific license. Under a general license, goods can be imported from any country, whereas a specific or individual license authorizes import only from specific countries. Import licenses are used in import clearance, renewable, and typically valid for 24 months for capital goods or 18 months for raw materials components, consumables, and spare parts.

4. File Bill of Entry and other documents to complete customs clearing formalities

After obtaining import licenses, importers are required to furnish import declaration in the prescribed Bill of Entry along with permanent account number (PAN) based Business Identification Number (BIN), as per Section 46 of the Customs Act (1962). A Bill of Entry gives information on the exact nature, precise quantity, and value of goods that have landed or entered inwards in the country. If the goods are cleared through the Electronic Data Interchange (EDI) system, no formal Bill of Entry is filed as it is generated in the computer system. However, the importer must file a cargo declaration after prescribing particulars required for processing of the entry for customs clearance. If the Bill of Entry is filed without using the EDI system, the importer is required to submit supporting documents that include certificate of origin, certificate of inspection, bill of exchange, commercial invoice cum packing list, among others.

Determine import duty rate for clearance of goods

India levies basic customs duty on imported goods, as specified in the first schedule of the Customs tariff Act, 1975, along with goods-specific duties such as anti-dumping duty, safeguard duty, and social welfare surcharge.

Export procedures

Just as for imports, a company planning to engage in export activities is required to obtain an IEC number from the regional joint DGFT. After obtaining the IEC, the exporter needs to ensure that all the legal compliances are met under different trade laws. Further, the exporter must check if an export license is required, and accordingly apply for the license to the DGFT. An exporter is also required to register with the Indian Chamber of Commerce (ICC), which issues the Non-Preferential Certificates of Origin certifying that the exported goods are originated in India.

Import and export documents

Businesses are required to submit a set of documents for carrying out export and import activities in India. These include commercial documents – the ones exchanged between the buyer and seller, and regulatory documents that deal with various regulatory authorities such as the customs, excise, The Foreign Trade Policy, 2015-2020 mandates the following commercial documents for carrying out importing and exporting activities:

- Bill of lading or airway bill;
- Commercial invoice cum packing list;
- Shipping bill or bill of export, or bill of entry (for imports).

Additional documents like certificate of origin and inspection certificate may be required as per the case. The important regulatory documents include:

- GST return forms (GSTR 1 and GSTR 2);
- GSTR refund form;
- Exchange Control Declaration;
- Bank Realization Certificate; and
- Registration cum Membership Certificate (RCMC).

TERMS OF DELIVERY

I – INCOTERMS:- Terminology of various terms commonly used worldwide for delivery and transportation of goods is grouped into four categories in the INCOTERMS-2000 as under:-

(a) "E" – Terms - Implies Ex-works, where under, the seller only makes the goods available to the buyer at the seller's own premises. The responsibility of providing the carrier is that of the buyer.

(b) "F" – Terms - FCA, FAS and FOB are various clauses of "F" terms under which the seller is called upon to deliver the goods to a carrier appointed by the buyer. The responsibility of providing the carrier is that of the buyer.

(c) “C” – Terms - CFR, CIF, CPT and CIP are various clauses of “C” terms under which the seller has to contract for carriage, but without assuming the risk of loss of or damage the goods or additional costs due to events occurring after shipment and dispatch.
(d) “D” – Terms - DAF, DES, DEQ, DDU and DDP are various clauses of “D” terms under which the seller has to bear costs and risks needed to bring the goods to the placed of destination.
1. Ex-works (EXW) – “Ex-Works” means that the seller delivers when he places the goods at the disposal of the buyer at the seller’s premises or another named place (i.e. works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle. This term thus represents the minimum obligation for the seller and the buyer has to bear all costs and risks involved in taking the goods from the seller’s premises. However, if the parties wish the seller to be responsible for loading of the goods on departure and to bear the risks and all the costs of such loading, this should be made clear by adding explicit wording to this effect in the contract of sale. This term should not be used when the buyer cannot carry out the export formalities directly or indirectly. In such circumstances, the FCA terms should be used provided the seller agrees that he will load at his cost and risk.
2. Free Carrier (FCA) - “Free Carrier” means that the seller delivers the goods, cleared for export to the carrier nominated by the buyer at the named place. This term may be used irrespective of the mode of transport including multi-modal transport. “Carrier” means any person who in a contract of carriage undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes. If the buyer nominates a person other than a carrier to receive the goods the seller is deemed to have fulfilled his obligation to deliver the goods when they are delivered to that person. 3. Free Alongside Ship (FAS) - “Free Alongside Ship” means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. The FAS terms requires the buyer to clear the goods for export. However, if parties wish the buyer to clear goods for export this should be made clear by adding explicit wording to this effect in contract of sale. This term can only be used for sea or inland waterway transport.
4. Free on Board (FOB) - “Free on Board” means that the seller delivers when the goods pass the ship’s rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from the point. The FOB terms requires the seller to clear the goods for export. This term can be used only for sea or inland waterway transport. If the parties do not intend to deliver the goods across the ship’s rail, the FCA terms should be used.
5. Cost and Freight (CFR / C&F) - “Cost and Freight” means that the seller has delivered when the goods pass the ship’s rail in the port of shipment. The seller must pay the cost and freight necessary to bring the goods to the named port of destination but the risk of loss of or damages to the goods or any additional costs due to events occurring after the time of delivery are transferred from the seller to the buyer. The CFR terms requires the seller to clear the goods for export. This term can be used only for sea and inland waterway

transport. 6. Cost, Insurance and Freight (CIF) – "Cost, Insurance and Freight (CIF) means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination. In case of CIF terms, the seller also has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage. Consequently, the seller contracts for insurance and pays the insurance premium. The CIF term requires the seller to clear the goods for export. This term can be used only for sea and inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail the CIP term should be used.

7. Carriage Paid To (CPT) - "Carriage Paid to (CPT)" means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to be named destination. This means that the buyer bears all risks and any other cost occurring after the goods have been so delivered. He CPT term requires the seller to clear the goods for export. The term may be used irrespective of the mode of transport including multi-modal transport.

8. Carriage and Insurance Paid To (CIP) - "Carriage and Insurance Paid To (CIP)" means that the seller delivers goods to the carrier nominated by him but the seller must in addition pay cost of carriage necessary to bring goods to be named destination. This means that the buyer bears all risks and any additional cost occurring after the goods have been so delivered. However in CIP, the seller also has to procure insurance against the buyer's risk of loss of or damages to the goods during the carriage. Consequently, the seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIP term, the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have the protection of greater cover, he would either need to agree as much expressly with the seller or to make his own extra insurance arrangements. "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, roads, air, sea, inland waterway or by a combination of such modes. If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CIP requires the seller to clear the goods for export. This term may be used irrespective of the mode of transport including multi-modal transport.

9. Delivered at Frontier (DAF) – "Delivered at Frontier" means that the seller delivers when the goods are at the disposal of the buyer on the arriving means of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border of the adjoining country. However, if the parties wish, the seller to be responsible for the unloading of goods from the arriving means of transport and bear the risks for costs of unloading, this should be made clear by adding explicit wording to this effect in the contract of sale. This term should not be used irrespective of the mode of transport when goods are to be delivered at a land frontier.

10. Delivered Ex-Ship (DES) – "Delivered Ex-Ship" means that the seller fulfils his obligation to deliver when the goods have been made available to the buyer on board the ship un-

cleared for import at the named port of destination. The seller has to bear all the costs land risk involved in brining the goods to the named port of destination before discharging. If the parties wish, the seller to bear the costs and risks of discharging the goods, then the DEQ term should be used. The term can only be used only when the goods are to be delivered by sea or inland waters way transport on a vessel in the port of destination.

11. Delivered Ex-Quay (Duty Paid) (DEQ) – "Delivered Ex-Quay (Duty Paid)" means that the seller fulfils his obligation to deliver when he has made the goods available to the buyer on the quay (Wharf) at the named port of destination, cleared for importation. The seller has to bear all risks and costs including duties, taxes and other charges of delivering the goods thereto. This term should not be used if the seller is unable directly or indirectly to obtain the import license. If the parties wish the buyer to clear the goods for importation and pay the duty, the words "duty unpaid" should be used instead for "duty paid".

II – GENERAL TERMS: Other terms for delivery and transportation of goods are;

1. Free on Rail / Road (F.O.R on Destination) – In case of FOR on destination the seller delivers the goods to the carrier nominated by him but the seller in addition pays the cost of carriage necessary to bring the goods to the named destination which is transporter's godown nearest to the buyer in case of road transport & nearest railway station to the buyer in case of transport by rail. Under this term the buyer should confirm the extent of insurance cover provided by the seller. Should the buyer wish to have the protection of greater cover, he would either need to agree as much expressly with the seller or to make his own extra insurance arrangements.

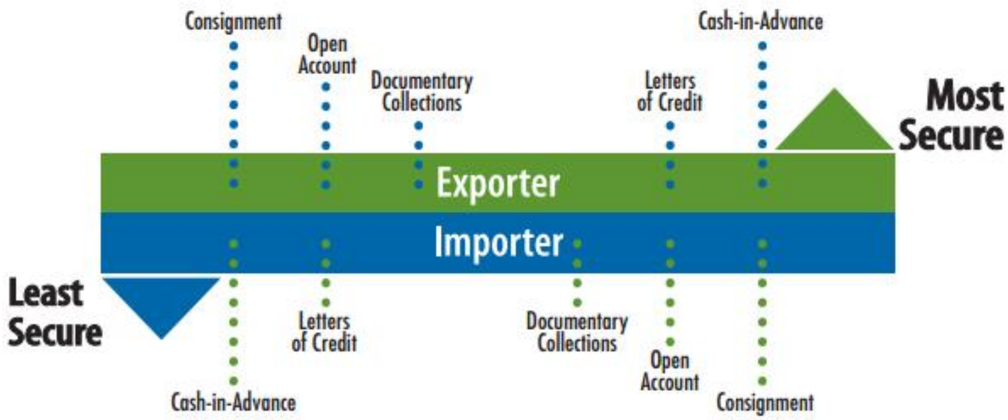
2. Free on Rail / Road (F.O.R on Depatching Station) – In this case the seller delivers the goods to the nominated carrier (Transporter's godown in road transport & Railway station in rail mode) nearest to the seller on freight to pay or freight pre-paid basis as agreed between the buyer & seller. This means that the buyer bears all risks and any other cost occurring after the goods have been so delivered.

3. Door Delivery Basis - In this case the seller delivers the goods in the store or other such place specified by the buyer with all charges towards freight, insurance, clearance etc duly paid by the seller such as dispatches by courier service etc.

Methods of Payment

To succeed in today's global marketplace and win sales against foreign competitors, exporters must offer their customers attractive sales terms supported by the appropriate payment methods. Because getting paid in full and on time is the ultimate goal for each export sale, an appropriate payment method must be chosen carefully to minimize the payment risk while also accommodating the needs of the buyer. As shown in figure 1, there are five primary methods of payment for international transactions. During or before contract negotiations, you should consider which method in the figure is mutually desirable for you and your customer.

Figure 1: Payment Risk Diagram



Key Points

- International trade presents a spectrum of risk, which causes uncertainty over the timing of payments between the exporter (seller) and importer (foreign buyer).
- For exporters, any sale is a gift until payment is received.
- Therefore, exporters want to receive payment as soon as possible, preferably as soon as an order is placed or before the goods are sent to the importer.
- For importers, any payment is a donation until the goods are received.
- Therefore, importers want to receive the goods as soon as possible but to delay payment as long as possible, preferably until after the goods are resold to generate enough income to pay the exporter.

Cash-in-Advance

With cash-in-advance payment terms, an exporter can avoid credit risk because payment is received before the ownership of the goods is transferred. For international sales, wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. With the advancement of the Internet, escrow services are becoming another cash-in-advance option for small export transactions. However, requiring payment in advance is the least attractive option for the buyer, because it creates unfavorable cash flow. Foreign buyers are also concerned that the goods may not be sent if payment is made in advance. Thus, exporters who insist on this payment method as their sole manner of doing business may lose to competitors who offer more attractive payment terms. Learn more about **Cash-in-Advance**.

Letters of Credit

Letters of credit (LCs) are one of the most secure instruments available to international traders. An LC is a commitment by a bank on behalf of the buyer that payment will be made to the exporter, provided that the terms and conditions stated in the LC have been met, as verified through the presentation of all required documents. The buyer establishes credit and pays his or her bank to render this service. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the buyer's foreign bank. An LC also protects the buyer since no payment obligation arises until the goods have been shipped as promised. Learn more about **Letters of Credit**.

Documentary Collections

A documentary collection (D/C) is a transaction whereby the exporter entrusts the collection of the payment for a sale to its bank (remitting bank), which sends the documents that its buyer needs to the importer's bank (collecting bank), with instructions to release the documents to the buyer for payment. Funds are received from the importer and remitted to the exporter through the banks involved in the collection in exchange for those documents. D/Cs involve using a draft that requires the importer to pay the face amount either at sight (document against payment) or on a specified date (document against acceptance). The collection letter gives instructions that specify the documents required for the transfer of title to the goods. Although banks do act as facilitators for their clients, D/Cs offer no verification process and limited recourse in the event of non-payment. D/Cs are generally less expensive than LCs. Learn more about **Documentary Collections**.

Open Account

An open account transaction is a sale where the goods are shipped and delivered before payment is due, which in international sales is typically in 30, 60 or 90 days. Obviously, this is one of the most advantageous options to the importer in terms of cash flow and cost, but it is consequently one of the highest risk options for an exporter. Because of intense competition in export markets, foreign buyers often press exporters for open account terms since the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are reluctant to extend credit may lose a sale to their competitors. Exporters can offer competitive open account terms while substantially mitigating the risk of non-payment by using one or more of the appropriate trade finance techniques covered later in this Guide. When offering open account terms, the exporter can seek extra protection using export credit insurance.

Consignment

Consignment in international trade is a variation of open account in which payment is sent to the exporter only after the goods have been sold by the foreign distributor to the end customer. An international consignment transaction is based on a contractual arrangement in which the foreign distributor receives, manages, and sells the goods for the exporter who retains title to the goods until they are sold. Clearly, exporting on consignment is very risky as the exporter is not guaranteed any payment and its goods are in a foreign country in the hands of an independent distributor or agent. Consignment helps exporters become more competitive on the basis of better availability and faster delivery of goods. Selling on consignment can also help exporters reduce the direct costs of storing and managing inventory. The key to success in exporting on consignment is to partner with a reputable and trustworthy foreign distributor or a third-party logistics provider.

Appropriate insurance should be in place to cover consigned goods in transit or in possession of a foreign distributor as well as to mitigate the risk of non-payment.

UNIT-II
Selection of Products for Exports for easy marketing

Selectivity is the key to success in all spheres of life including export market. An exporter may wish to deal in all kind of products and to sell them everywhere in the world. However, it is not possible for him to do so due to the wide expanse and demand variations in different markets of the world. Therefore, an exporter has to select proper product(s) and proper market (s) in order to operate at the international level.

3.2 Selection of Export Products:

An exporter has to consider the following factors while selecting product(s) for the export market:

(a) Export Trends:

(a) **Export Trends:** An exporter should analyse trends in export of different items to the overseas market(s) for proper selection of the product. Such information can be gathered from the following sources:

Monthly statistics of foreign trade of India.

Export Promotion Council (EPC) Bulletins.

Export Import Times.

The final selection of the product, however, depends upon one's own ability and experience relating to the product.

(b) **Supply Base:** Along with demand of product in the international market, it is also necessary to analyse its supply base in the domestic market. Most of the agricultural products defy this criterion as their supply depends upon a number of factors, which are based on nature. Seasonal commodities like onions, fruits or even sugar, wheat or rice have not proved to be good items for sustained export business. Even manufactured products may not have a good supply base due to factors like strike, power shortage, lockouts, transport problems, etc.

(c) **Production Capacity and Product Availability:** Sky is the limit for selling a product in international markets. Hence, a manufacturer exporter must consider his production capacity and a merchant exporter must take into consideration the availability of the product selected for export before entering into an export contract. If the production capacity or availability is limited, then the exporter should focus on smaller markets. However, if the product can be made available easily, a sustained export drive is worthwhile.

(d) **Product Adaptability:** Associated with the production capacity and availability is the possibility of adapting the product as per the requirements of the foreign markets. The needs and requirements of buyers differ from market to market and country to country. What sells well in one market may not sell at all in other markets. This calls for product adaptability. Product adaptability is not an easy task, as it requires large amount of investment in adjusting production process as per the needs of the different markets.

(e) **Servicing Facilities:** If the product selected for export is such that it requires servicing after sales, then the exporter should see to it that he can avail such T facilities to the overseas buyers. It is not always easy and within one's means s to open servicing centres abroad. At the same time, it is difficult to find a h distributor or agent having servicing facilities. If it is not possible for the exporters to provide such servicing facilities then the exporter should not venture to export such products.

(f) **Target Markets:** Selection of a product also depends upon the markets E which have been identified for sales abroad. All products may not have equally good markets everywhere. Therefore, selection of the product e. depends upon the market requirements. It is always better to concentrate on one or two markets at least to start with. One should study the target markets (E closely, with regard to market requirements in terms of product specification, (t continuity of demand, change in fashion, credit requirement, if any, etc.

(g) **Demand Stability:** Product(s) selected for selling whether overseas or in the (c domestic market should not only have stable but a rising demand. Seasonal (E products should be avoided unless the exporter has necessary infrastructure (f' for selling them. Products depending upon fashion trends, though comparatively H more profitable, may not always prove to be good for those exporters who T. cannot cope with such trends. Therefore, the exporter should select such products, which provide a large and stable market

(h) **Trade Restrictions:** While selecting product(s) for exports, it must be ensured that such product(s) should not be subject to the country's export (t Control regulations or import Control regulations of the concerned target (c markets. Although, export restrictions in all the Countries are minimum as (c there is a tendency to promote exports of all products, still there are a iv number of items where Controls do exist. Therefore, the exporter should try to avoid export of such product(s).

(i) **Profitability:** Last but not the least; Profitability is the prime objective of all marketing activities. The product selected for exports must fetch a fair profit (F to the exporter. Moreover, profitability should as far as Possible be direct, Le" arising from the sale price itself. Though export benefits like duty drawback, excise refund, etc., are necessarily to be taken into consideration while calculating the export price, it is always better if the product sells in the overseas markets even if such assistance is not available.

Sources of Product Ideas

New product ideas come from many sources. Limiting the search for new product ideas to internal research and development activities is far too narrow an approach for most companies.

Sources of new product ideas include company employees, customers, competitors, outside inventors, acquisitions, and channel members. Both solicited and spontaneous ideas may emerge from the sources, and some even occur by accident.

Procter & Gamble's Ivory soap was a result of an accident. Manufacturing over-mixed the ingredients in the manufacturing process creating air bubbles in the soap, causing it to float. Customers love it!

The essential issue that management must face is how to establish a program for generating and evaluating ideas that will meet the needs of the company. Several questions must be answered in developing such a program:

- Should ideas searches be targeted or open-ended?
- Should the search for new product ideas be restricted to those ideas that correspond to the mission, target market, and the company's strategy?
- How extensive and aggressive should the company idea search activities be?
- Should search being an active or passive function within the firm?
- Where will responsibilities for new product ideas search be placed
- How will new product planning activities be directed and coordinated?

My research findings indicate that financial performance is higher for high-technology companies that have proven competence in their products.

Companies that focus on their product strategy perform much better over a long time span than those that did not. These findings came from a study of 246 products across 26 small and medium-sized companies.

For most companies, the idea search program should be aligned with the corporate mission and objectives.

While some far-out new product ideas may change the future of a company, more often, open-ended ideas search the disparates resources and misdirected efforts.

It is impossible to generalize about the other three questions since they depend on many factors.

Factors like size and type of company, technologies involved, new product needs, resources, management preferences, and corporate capabilities. Top management should develop a plan for idea generation that will satisfy the company's requirements.

Many new product ideas start with customers, particularly ideas for industrial products.

The use of a lead user analysis offers promising potential for the development of new industrial products. Lead users are those companies whose existing needs and requirements anticipate marketplace needs.

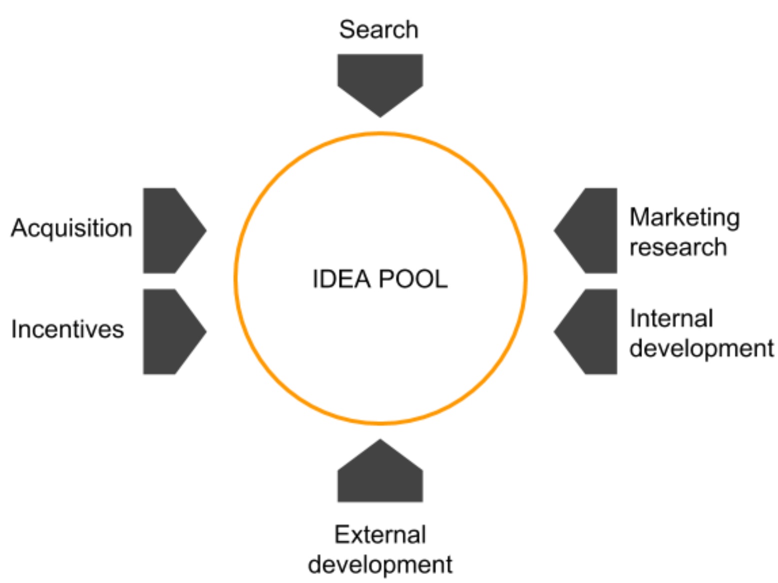
The approach is to try to identify these market leaders and analyze their needs to improve the productivity of new product development and product markets that change rapidly.

The objective is to satisfy the lead user's needs, thus accelerating new product planning. Both industrial and consumer buyers are useful sources of new product ideas.

Methods of Generating Ideas

Several alternatives for generating ideas are shown in Exhibit 1. Typically a company uses more than one of these options.

Exhibit 1 Methods of Generating New Product Ideas



Search for new product ideas

Systematic monitoring of various information sources may be helpful in identifying new product ideas. New product idea publications and online sources are available from companies that wish to sell or license and ideas they do not wish to commercialize.

New technology information is available through computerized search services. New sources may also yield information about the new product activity of competitors.

Many trade publications contain new product announcements. Marketing management must identify the relevant search areas and assign responsibility for a search to an individual or group.

Selection of Export Markets

One of the most important decisions in international marketing is market selection. The global market, made up of well over 200 independent nations with their own distinctive characteristics, is very vast. It would be very difficult for a company to operate in all these markets. There are barriers, which make entry to a number of markets impossible or very difficult. There may be markets, which are not profitable or may be very risky due to political or other reasons. Moreover, the company resources may not permit the operation in a large number of countries.

The factors to be taken into account in export market selection process are:

(a) **Political Embargo:** The countries to which there is a political embargo on exports should be straight away excluded from the list of potential markets. For example, there are restrictions on export of certain items from India to certain countries. Similarly, there are countries, which do not allow import of certain items from certain countries of the world.

(b) **Special Requirements:** Every market has a special requirement in terms of product specifications, quality and a different price edge. The very fact that a product has found a niche in some market does not necessarily mean that the same niche exists in the other market of the world or that the attitudes affecting buying decisions are similar all over the world.

(c) **Product Specification:** Product specifications differ from market to market. For example, many countries require electrical goods with 110 voltage current as against 220 voltage in India. An exporter should avoid exporting to such market, where product specification is different from the national ones. This is because the cost of product adaptation may be very high.

(d) **Distant Location:** Markets which are comparatively at a longer distance and for which regular shipping services are mot available, not only make adherence to delivery schedules more difficult, but also render the goods uncompetitive on account of higher incidence of freight. Hence, while selecting markets, long distance markets should be avoided.

(e) **Market Accessibility:** Certain markets are comparatively less accessible due to import regulations and quota restrictions. Similarly, Indian products may not receive preferential treatment under the MFN clause or there may be restrictions on remittances and convertibility of currency in some countries. All such markets should be avoided as they render marketing uncompetitive.

(f) **Business Community:** In several countries, the business community mainly comprises of Indians, Pakistanis, Sri Lankans, Bangla Deshis, etc. Such people are more familiar with the trade practices in India and thereby more receptive to our goods. It also helps in breaking the communication barriers. Hence, it is better to exploit such markets for initial exploration.

(g) **Preferential Treatment:** While accessibility to certain markets is difficult, there are a few countries which accord preferential treatment to the products from developing countries. For example, EU, Australia, USA, etc., have instituted the scheme of Generalised System of Preferences (GSP) for imports from developing countries. Such markets may be selected for immediate exploitation for export.

International market selection

Once you have carried out a preliminary analysis of your company, the next step towards internationalisation is to choose the market(s) you want to focus on.

Selecting the right markets and learning how to reach out to them could determine the viability of your expansion strategy. These markets will shape your international development, business planning and growth potential.

This article will address:

- strategies for selecting international markets
- the main criteria for international market selection
- bodies with information for market selection analysis

Strategies for selecting international markets

Before you try to identify your target market, think of a number of suitable markets where your product could work – then think about how you could serve each one.

No strategy is universally correct – it all depends on the type of business you are in and its marketing environment. Base your strategy on the resources available and the lifecycle phase your product has reached. A wide variety of factors will determine your choice of strategy.

Market concentration

Focus on a few select markets. This strategy will help you consolidate your company's presence in these markets, with the aim of securing constant sales growth.

Advantages:

- you will gain in-depth knowledge of each market and can design or adapt your products to match
- costs are reduced across logistics, management and operations management
- you can dedicate more resources to market promotion
- you gain increased risk control of your international activities

Factors favouring concentration:

- international demand is concentrated on a small number of markets with stable performance
- the market has several potential customers
- your product has a long lifecycle
- there is strong competition
- your company is small with limited resources
- your product needs to be adapted to suit particular market tastes
- the market requires large promotional or communication-channel investment
- there are reduced logistics costs, management and sales monitoring

Market diversification

Introduce your product to as many markets as possible – perhaps with small shares in the majority of your markets.

Advantages:

- possibility for rapid sales growth
- you could sell at different prices and take advantage of the fluctuations in exchange rates
- risk diversification

Factors favouring diversification:

- the global demand for your product or service is spread out across many markets with irregular behaviour
- there is a reduced number of potential customers in the market
- your product has a long lifecycle
- your competitive environment is stable and divided among fewer companies
- your company is large with abundant resources
- your product or service is standardised in all markets
- only limited promotional investment is needed to generate sales
- logistics management and sales monitoring comes at a high cost

The main criteria for selecting international markets

We recommend conducting an initial global market selection process using the following criteria:

Environment and market analysis

Put together a short list of countries that present a good concentration or potential concentration of your target market.

Analyse the variables for each country:

- **GDP growth** – including the country's growth prospects for infrastructure and the demand for tourism products
- **country risk** – including political or social unrest, insecurity and currency devaluations
- **political factors** – including the degree of political intervention in business decisions, political and social stability, and possible alliances or trade agreements with your country of origin
- **other factors** – including geographic proximity, and the similarity to your source market in terms of business and social culture

In this first stage of pre-selection, consider countries that interest you or have good market potential. Next, rank the countries in order of:

- **market appeal** – including the demand for your product and the risks associated with it
- **possible operational difficulties** – including market legislation, state-level protectionism, the ease of doing business, procedures for starting a business, taxes, administrative costs, and the intensity of local competition

Analysis of the competition

To analyse competition in your market:

- identify your main competitors and describe them
- analyse their economic evolution and sales over the last 3 years
- detect their distinguishing factors – including prices, channels, market maturity, financial position, development potential and plans and/or expansion strategies

Distribution channels

Your choice of distribution channel will determine how your company expands in the market.

Track the supply chain of your product, from its origins to its final customer. Develop a clear idea of the intermediate operators and their prices. Analyse the existing sales structure in the country and how this could be adapted to your product or service.

There are a number of possible distribution channels:

- international distribution from your own market
- a local distributor in the target market
- your own commercial agent
- the internet
- a subsidiary or delegated company
- the creation of a joint venture with a local partner

Demand analysis

You will need to analyse the current and potential demand of your product in its source market, as well as its profile and expected evolution. This information should confirm that your pre-selection process was successful and that your chosen markets are suitable for your product.

You will learn how best to design your subsequent marketing strategy based on price, presentation, promotion, distribution and so on. We recommend that this initial analysis is backed-up by further research in the market itself or through intermediaries. This will help you assess whether your initial analysis was correct.

4.0 OBJECTIVES

The objective of this Unit is to make you understand:

• the purpose of trade fairs and exhibitions,

• the economic benefits that the trade fairs bring to the host cities, and

• that how trade shows are more cost effective than ordinary marketing processes

INTRODUCTION Trade shows and exhibitions are designed to bring together individuals associated with a common business or activity for the purpose of reviewing, demonstrating, marketing and selling materials and products related to their common interest. In this Unit we will discuss what trade fairs and exhibitions are all about. We will examine the various players and their roles in trade shows. The Unit also addresses the management and marketing aspects of the trade fairs. Finally, the Unit discusses the economic implications of these and mentions how globalisation will affect the trade fair industry.

PURPOSE OF TRADE SHOWS FAIRS The primary purpose of a trade show is to provide an opportunity for the exchange of information between companies and potential clients. Trade fairs are more and more being recognized as a major segment of a company's marketing mix. Trade shows present the state of the art for an industry to both, the exhibitors and the attendees. Exhibitors not only sell or promote but they can also compare their products to that of their competitors. Similarly, the attendees can closely examine the products to get the best deal. For example, in US the annual meeting of the National Restaurant Association, besides the attendees and delegates, attracts manufacturers and distributors of items that are of particular interest to the former. According to D.G. Ruthford (Overview of the Conventions, Expositions and Meetings Industry: A Major Hotel Market, 1994) "the 1800 exhibitors at the NRA trade show accomplish major portions of their marketing objectives by participation in the trade show, which in essence is a very carefully managed and orchestrated artificial market place for buyers and sellers to interact". This, in fact, demonstrates the relationship between a convention and trade shows. Both, the manufacturers/distributors (vendors) and customers thus get a unique opportunity.

To interact, sell, buy or promote the products. H.N. Tongren and J.P. Thompson (1981) identified three types of tradeshows on the basis of this purposes:

1) Industrial shows that are used by manufacturers to exhibit their products; demonstrating new products; educating the buyers about their products; etc.

2) Trade shows where sellers contact all types of buyers who are members of the trade.

3) Professional or Scientific Exhibitions which are usually adjunct to the meetings of specialized organizations.

All these may or may not be open to the general public at large but will cater to all those who have a specific and demonstrative relationship to the event as either a member of the industry, trade association or professional society (Ruthford, 1994). In fact, exhibit presentations at the large scale that are open to public in general are termed as consumer shows or exhibitions. These are held in big places (like Pragati Maidan in New Delhi) with an entrance fee. They are centred around a theme like book fair, industrial goods fair, textiles exhibitions, home appliances fair, etc. The participation by the sellers can be at various levels like regional, national or international. Similarly, the timing can also be annual, once in four years, etc. Depending on the theme that may attract buyers which could be local, regional, national or international. For example, the international book fair organized by the Indian Trade Promotion Organisation attracts four types of buyers mentioned above.

Besides buying and selling another purpose of organizing large expositions is social welfare. Many governments, in order to fulfil their social welfare commitments organize health shows, rural shows, etc.

All the above categories of trade shows have direct linkages with tourism and in many cases are organized as tourist attractions, not just for international tourists but domestic tourists also.

At some destinations they are scheduled in such manner that the tourist seasonality can be enhanced.

Trade fairs and exhibitions are also ideal for introducing and testing new products thus allowing for feedback about the potential success of these products in the marketplace. These fairs, thus, not only serve as a part of the marketing mix but also act as a medium for research and development.

ECONOMIC IMPACT OF TRADE FAIRS

Trades fairs are an extremely lucrative business venture and also serve as a source of revenue for the show sponsors. In some cases the sponsors are able to make big profits.

Not only are trade shows profitable for the sponsoring organization, but they also provide revenue for the host city and all related business. For instance, revenue for a trade show begins with hall rental and includes the employment of all those involved in the setup and move-in of trade show. Carpenters, plumbers, electricians, florists, and drayage [that is the transfer of exhibit properties from point of arrival to exhibit site],companies are usually hired from within the host city, thus increasing the employment opportunities within cities that host major trade shows.

Exhibitors also have an economic impact through their use of hotels for hosting their clients and using restaurants to entertain potential customers. Delegates add to the revenue by renting rooms from local hotels as well as spending money in restaurants and shops. Any time an exhibitor or delegate simply buys a local newspaper, catches a cab, or picks up a toothbrush from a store, the Host City benefits. Overall, the economic impact tradeshows have on a community is very significant and underscores the reasons for cities becoming involved in trade fair industry.

It must be noted here that a variety of facilities and infrastructure is created for trade fairs and these require capital investments. If the facilities create d thus remain under-utilised, a negative economic impact is also there. Hence, feasibility studies must also be conducted as regards repayment of capital investment through the income generated.

CREATING AND DESIGNING TRADE FAIRS The procedure by which a trade fair or an exhibition is created and implemented varies as per the objectives. The most important person in the creation of the trade fair is the show organizer or manager. Then there are other people like the contractor, etc. who play a very important role in the successful handling of the event or the exhibition or the fair. Let us see what are their responsibilities.

Trade Show Manager

The show manager, exhibition manager or event manager is an employee of an association or an event management company. Her or she can also be a private entrepreneur, who performs tasks such as conceptualisation and development of shows, their sales, marketing, advertising, and promotion to qualified attendees.

The show manager's job is concerned with the infinite details of selling the fair, moving the fair, setting up the show, executing the event, and moving the show of the convention or trade show facility. (Rutherford, D. G. 1990, Introduction to the Conventions, Expositions and Meetings Industry) Sometimes a show manager develops a new idea for a potential trade show, books a facility to host it, and then sells the show to potential exhibitors. The show manager's top priority has traditionally been to sell the floor space to exhibitors. E. A. Chapman, (Expositions Work, 1989), in his work mentions that in fact, show managers could be considered "real estate people who rent an exhibition hall". There is a tremendous amount of behind the scene work included in show manager's job. They are responsible for marketing the show to potential exhibitors, selecting the show site, making hotel arrangements, developing educational programmes, arranging for pre-show and/or post-show activities, and overseeing all logistical planning. In any case, one of the manager's first priorities is to recruit potential exhibitors. In order to do this, show managers send out a show prospectus to potential exhibitors. A good prospectus will include the dates and location of the show, past attendance figures, past exhibitors, floor rental prices, facilities, special features and other basic information. A potential exhibitor should be able to make an informed decision about participating in the show based on the prospectus. For example, the Tourism trade fair that takes place in Pragati Maidan every year invites travel agencies, airlines, tour operators, and hotels, etc. to put up stalls for their promotion. In fact, even tourism teaching institutions participate in it.

After an exhibitor decides to take part in a show, communication between the exhibitor and the show manager begins and continues until the show ends. The producer keeps in constant communication with each exhibitor for months preceding the show. One of the first and most important pieces of communication the manager mails out is the exhibitor manual (or service kit), a packet containing "the rules of the exposition organizer and exposition hall, along with a set of contracts and promotional pieces". The exhibitor kit also includes information on payment expectations etc.

The show manager's job is made even more complicated by new demands on the position. As the tradeshow industry is evolving, show managers are being required to develop more expertise and to have experience in special areas. This means that in the near future there will be specialists for each kind of a fair.

Perhaps the most important part of a show organizer's job is to market the show to the intended attendee base. Without attendees, the show fails. The attendee base may be a fairly specific segment of the population or, in the case of consumer shows, it may be the general public. The manger must know how to reach the intended audience as well as oversee the logistics of ticket sales and registration. Most show attendee's register in advance, but some shows may allow people to walk into the facility, literally "off the street". The show manager must also evaluate the show and verify such facts as attendance and exhibition presence.

Exhibitors

According to the CLC Glossary (1986, p.16), an exhibitor is simply the "company or organization sponsoring (the) exhibit booth". Chapman (1987, p 254) further explains the responsibilities of the position: "Exhibitors rent space, purchase an exhibit, have it transported and set up, all in return for an opportunity to sell and are ultimately responsible for making a decision to participate at any show". For example as said before, at a tourism industry show, exhibiting companies might include travel agencies, tour operators, airlines, hotels, restaurants, business schools, and companies that produce specialty tourism products maybe even trekking material.

Ten Steps To Trade Fair Success

The following steps (as per the Trade Show Bureau, "Reaching Export Objectives Through International Trade Fairs." 1991) are crucial for show managers in planning a successful outcome for any trade show programme:

1) Secure management support.
2) Set specific and realistic objectives.
3) Do a market analysis and adequate research.
4) Select a specific trade show that coincides with your market targets.
5) Plan an adequate budget.
6) Develop pre-show promotion.

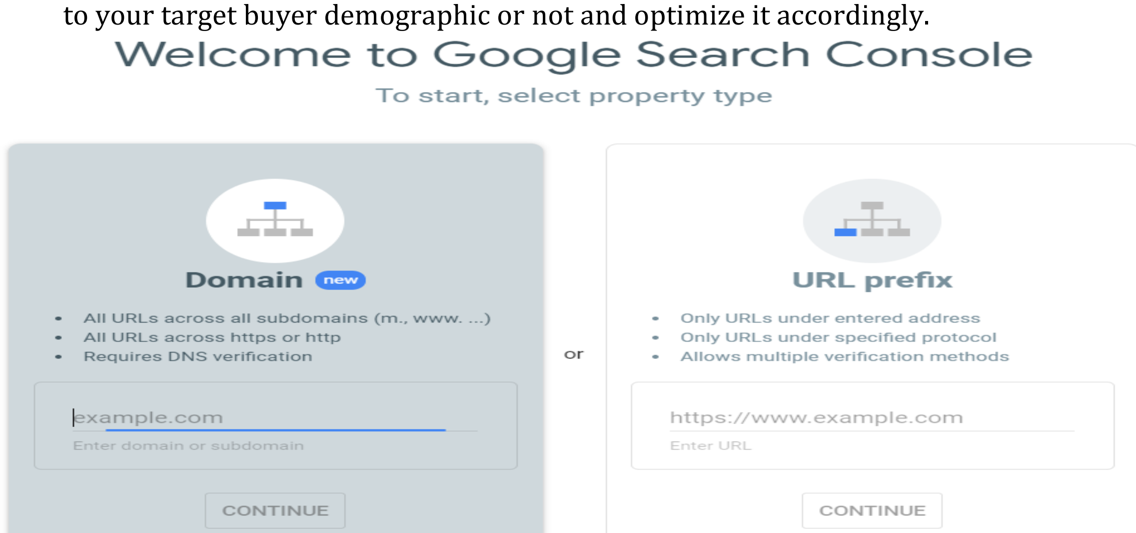
7) Create professional staff.
8) Learn how to sell and effectively negotiate during the exhibition.
9) Follow up trade show leads carefully and immediately.
10) Evaluate and measure the performance and results of a trade show.

How to find genuine buyers?

There's an umbrella of activities that you can take up under your efforts to find buyers of your export products online:

- You must build an attractive and professional website for your business. Investing in techniques like Search Engine Marketing will also take you and your product closer to the people who are looking for the same products in your target country. Search Engine Optimization will help your website pop up in relevant Google searches. You can also use tools like Google Ads (see Fig. 1 below) to discover the search queries that are likely to lead prospective buyers to your website/product.

- Another great idea is to optimize your website visibility using Google Search Console. Using the Console, you can not only manage your website's structure (Fig. 2 below), but also get deeper understanding of the kind of traffic you're getting on your domain. Over time, you can use this data to get a better understanding of whether your website is visible to your target buyer demographic or not and optimize it accordingly.

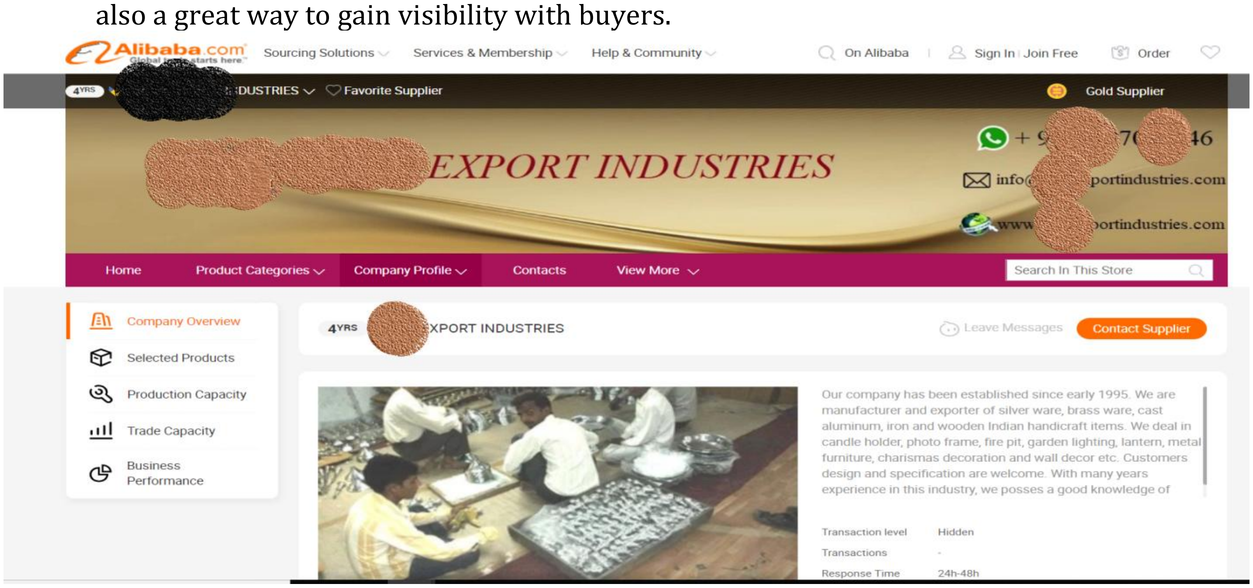


Google Search Console

- You should also consider developing a social media strategy to reach out to your global customer base. Platforms like YouTube, Twitter, Facebook, Instagram, LinkedIn, Reddit, Pinterest, Quora, etc. are widely used to build a business's social media presence. Note, however, that all social media channels might not be a perfect fit for your business; clearly define the purpose of your social media presence and accordingly select a channel that best suits your buyer acquisition requirements.

A typical Facebook page of an Import/Export business interactive group

- Apart from social media, another great way to gain online visibility is to sign up on Business-to-Business (B2B) websites and buyer-seller platforms like Alibaba, DHGate, Indiamart, Global Sources, Made in China, etc. Make sure you link to your website in your profiles in these platforms, as they will not only help you sell your product directly but are also a great way to gain visibility with buyers.



An example of an Indian exporter's profile on Alibaba

Whatever online solution(s) you choose, make sure you regularly moderate and manage your profile and curate content on it so that prospective buyers find it reliable and useful to reach out to you.

Trade fairs and exhibitions

Trade fairs and exhibitions are a more direct platform where Indian exporters, small and big, get the opportunity to meet and interact with visiting international buyers as well as export-import companies. Apart from such events organized in India, you can also participate in fairs and exhibitions held by various trade organizations across the world. These fairs can be general or specific to an industry.

These events see buyers, sellers and other stakeholders of the trade ecosystem come under a common room in large numbers and are the perfect venue for networking and outreach to potential customers. You can show demos/examples of your product, field questions, and even confirm orders at these events. Information about upcoming fairs and exhibitions is available with FIEO and your respective

An example list of FIEO's events in Macedonia

Government bodies like Export Promotion Councils

Government bodies like Commodity Boards and Export Promotion Councils, and even Ministries, can be a great source of information when it comes to searching for buyers for export. These organisations are tasked with increasing the country's exports and helping exporters, and will be more than happy to provide details like names of potential buyers, venues where you can meet them, etc. You can also access trade information and statistics on export of various products in your sector, apart from information on existing buyers. As mentioned earlier, events and delegations organized by these bodies are the best way to meet prospective buyers and sign them on, so keep an eye out for upcoming events, and be sure to sign up for them!

An example of the kind of assistance available to exporters from the Apparel Export Promotion Council (AEPC)

Embassies

While not typically trade-centric establishments, embassies nevertheless can be a good source for trade-related information. India has embassies and consulates in many countries, with close to 200 diplomatic missions worldwide. They have access to local news and market trends, and you can approach them to ask for names of reliable buyers in that particular country in your sector. FIEO and your Export Promotion Council can also reach out to these missions on your behalf to seek information on buyers and pass it on to you. However, it must be noted that in all such cases, the onus of due diligence about the credibility of the buyer lies with the exporter and not the EPC or the embassies.

Third-Party Agencies

These can be of different forms, depending on the initiative taken:

- Foreign Agencies are state-sponsored or controlled agencies that deal with bulk purchases to meet their countries demands.

- Buying Agents can be bulk buyers looking to purchase from your country. You can learn about the presence of foreign buying agents in India through sources like embassies and export authorities.
- Foreign Wholesalers are middlemen who will eventually resell products imported from overseas in their own country. Like the name suggests, they tend to purchase in bulk quantities.
- Commission agents are foreign agents who enable contact between buyers and sellers and coordinate a deal between the two in exchange for a commission.
- You can also hire your own sales commission agent or employee to represent your business and product to buyers and finalize sale deals.

UNIT-III

Performa Invoice

Often when potential importers are duly satisfied with the product, quality, sample sent for approval or lab analysis, packing, delivery schedule and prices acceptable. They request for a firm offer from the exporters.

It is a common for most exporters to provide their buyers with limited information when asked for a quotation. This lack of details and accurate information by exporters is probably a major factor why products with good quality and competitive prices do not get sold. Whether you are the exporter or the importer, it is quite critical that you understand how successful exporters quote buyers using pro forma invoice. You should be able to clearly distinguish the differences between quotation, Performa invoice and commercial invoice. The following brief descriptions are intended to help you understand their differences and to provide you with all the items that you should include in a Performa invoice plus the areas that you have to consider when completing a commercial invoice.

Quotations

A worksheet for calculating export costs to sell goods or services at a stated price and under specific conditions, the quotation is generally presented to the buyer in a formal way using a Performa invoice. A quotation may include all the contents that appear in a typical pro forma invoice except:

(1)Country of origin of product and

(2) the title Performa invoice.

Performa Invoice

A price quotation prepared in the form of an invoice, a Performa invoice, is different from commercial invoices. It is used to create a sale and is sent in advance of the commercial invoice. The content of a Performa invoice is almost identical to a commercial invoice and is usually considered a binding agreement although the price might change in advance of the final sale. For establishment of LC or for advance payment by the importer through his bank, usually banks prefer Performa invoice to a quotation.

In some countries, the US for example, Customs may accept a Performa invoice (generated by the US importer and not the exporter) if the required commercial invoice is not available at the time when filing entry documents (entry - the process of filing documents with US Customs at the port of entry to get goods released from Customs). U.S. Customs may use a pro forma invoice to assess duty and examine goods. The importer on record however, is required to post a bond and produce a commercial invoice within 120 days from the date of entry. If the required commercial invoice is needed for statistical purposes the importer has to produce the commercial invoice within 50 days from the date Customs releases the goods to the importer. Here are some reasons why pro forma invoices are widely used in international transactions:

Considered as a binding agreement between exporter and importer. May be required by some countries as part of their import licensing procedures. Bankers and financial institutions use pro forma invoices to open letters of credit, advance payments, etc., for importers.

Easily recognized due to their similarity to commercial invoices. Pro forma invoice format encourages exporters to include all the information that shall appear in the commercial invoice.

Keep the following points in mind when your company is asked to produce a pro forma invoice:

1. The title of the document should clearly say "Pro Forma Invoice".
2. Exporter's name, address, telephone number and e-mail address.
3. Sold to name, address, telephone number and e-mail address.

4. Pro forma invoice reference number.
5. Date issued. The date of the pro forma invoice is the date of the quotation.
6. Customers Inquiry reference number or purchase order number, if available.
7. Terms of payment (letter of credit, documentary collection, pre-payment, T/T, open account etc.).
8. Exporters banking details for advising /negotiating LC or SWIFT code details for Wire Transfer.
9. Estimated date of shipment.
10. If more than one product, number each product beginning with number 1.
11. Type of Delivery & shipment : Full in one lot or partial.
12. Indicate Transshipment if any,
13. Quantity shipped per lot.
14. Full product description, include the Harmonized Schedule (HS) code if available.

15. Indicate clearly currency used (USD, Euro, Yen etc.).
16. Unit pricing should be included.
17. Unit pricing should be extended by the quantities quoted to form the line item total.
18. Any additional supplies-provided services should be itemized and should be added to reach a grand total.
19. Terms of sale using latest INCOTERMS (FOB, CIF, CFR, DDU etc.- named port or destination).
20. Identify the number of unit measure, weight, case, pallets, box, etc.,
21. The country of origin of the product.
22. Cost of any additional documents, inspection, legalization, etc., to be borne by the importer or exporter.
23. Validity period, never make open-ended commitments remember that the validity date can be changed.
24. Must be signed and title to be included.
25. Column for Acceptance with Signature, title of the buyer to be incorporated in PI or covering letter.

Remember that pro forma invoices are formal offers to sell. When the buyers agree with all the terms and conditions of the pro forma invoice the result is a purchase order sent by the buyer, which finally leads to a sales contract that is, if the buyer and the exporter agree to have a formal sales contract. The pro forma and purchase order must be compared before goods are shipped to check for discrepancies. Should there be a discrepancy, the buyer should be promptly notified to correct any errors.

Commercial Invoice

Prepared after the sale takes place, the commercial invoice is the final bill from the exporter to the buyer that conforms in all respects to the agreement. It could have the exact terms of the pro forma invoice first offered, or it could differ in those terms that were the result of final negotiations. Commercial invoices are also used by governments to determine the true value of goods for assessing Customs duties, examining goods and gathering statistics. Additionally, many countries use commercial invoices to control imports. It is critical for the exporter to check with the buyer the type of information that must be included in the commercial invoice in order to clear Customs in the buyer's country. Here are few key areas to consider when producing a commercial invoice.

Should be prepared in the manner customary to trade. Most countries require that a commercial invoice must be filed for each shipment. It must be original although some countries accept photo copies with a declaration by foreign suppliers, shippers or importers verifying that it is a true copy. When an invoice is not available some countries accept a pro forma invoice with information adequate to assess duty, examine goods and collect statistics.

Some countries may require a special Customs Invoice - US for example, waived Customs Invoices in March 1, 1982.

Common Invoicing Mistakes by Exporters

The following are a few of the many common invoicing mistakes that are often made by exporters. Any of the following mistakes may cause delay, crippling penalties or total seizure of products by Customs officials.

1. Under invoicing- Declaring less than the actual value of goods.
2. Vague descriptions.
3. Several distinct articles lumped as one.
4. Supplier does not show the discounted invoice at the net price.
5. Transportation and insurance charges not itemized separately (some countries do not assess duty on transportation and insurance charges).
6. Pertinent information missing and lines left blank.
7. Missing country of origin.
8. Invoices not signed by supplier or supplier's agent.
9. Calculation mistakes in words and figures.
10. Omission of royalties, commissions, packaging and other dutiable additions that make up market value.

Types of Letter of Credit (LC)

There are various types of letter of credit (LC) that prevails in trade transactions. In this post, we are classifying them by their purpose. They are Commercial, Export / Import, Transferable and Non-Transferable, Revocable and Irrevocable, Stand-by, Confirmed, and Unconfirmed, Revolving, Back to Back, Red Clause, Green Clause, Sight, Deferred Payment, and Direct Pay LC.

A letter of credit is an important financial tool in trade transactions. Both, domestic as well as international market, trades use the LC to facilitate the payments and the transactions. A bank or a financial institution acts as a third party between the buyer and the seller and assures the payment of funds on the completion of certain obligations.

Definition of Letter of Credit

An LC is a financial document provided by a third party (with no direct interest in the transaction), mostly a bank or a financial institution, that guarantees the payment of funds for goods and services to the seller once the seller submits the required documents. A letter of credit has three important elements – the beneficiary/seller who is the recipient of the LC, the buyer/applicant who buys the goods or services and the issuing bank that issues the LC on the buyer's request. At times, there is an involvement of another bank as an advising bank that advises the beneficiary.

COMMERCIAL LC	A standard LC, also called as documentary credit
EXPORT /IMPORT LC	LC depending on who uses it. If used by exporter, he will name it to be exporter L/c and vice-versa.
TRANSFERABLE LC	As the name says, it is transferrable to the next supplier in chain & that allows the beneficiary to provide its own documents. The beneficiary is only an intermediary for actual supplier
UN-TRANSFERABLE LC	The beneficiary is the recipient & cannot further use LC to pay anyone. In short, he Is not allowed to transfer it to third parties
REVOCABLE LC	Can be altered at any time by the issuing bank/ buyer without informing the seller. Not used frequently, no shield to seller.
IRREVOCABLE LC	Without consent of seller, no alterations can be made by anyone.
STANDBY LC	It ensures the payment to seller if anything wrong happens
CONFIRMED LC	When the advising bank also guarantees the payment to the beneficiary, it is called Confirmed LC
UNCONFIRMED LC	This is assured only by issuing bank & not in need of second bank
REVOLVING LC	These can be used be used for many payments instead of issuing for each of them
BACK TO BACK LC	Two LCs are issued- one by the bank of buyer to the intermediary & second by the bank of an intermediary to the seller.
RED CLAUSE LC	Partial payment before the goods are shipped like an advance against a written confirmation from the seller & the receipt
GREEN CLAUSE LC	Same like Red Clause LC, but the only difference is proof of warehousing is also given to the seller.

Types of Letter of Credit

There are various types of letters of credit in trade transactions. Some of these are classified by their purpose. The following are the different types of letters of credit:

Commercial LC

A standard LC is also called a documentary credit. For more information click on Commercial LC

Export/Import LC

The same LC becomes an export or import LC depending on who uses it. The exporter will term it as an exporter letter of credit whereas an importer will term it as an importer letter of credit. For more information click on Export/Import LC

Transferable LC

A letter of credit that allows a beneficiary to further transfer all or a part of the payment to another supplier in the chain or any other beneficiary. This generally happens when the beneficiary is just an intermediary for the actual supplier. Such LC allows the beneficiary to provide its own documents but transfer the money further. For more information click on Transferable LC

Un-transferable LC

A letter of credit that doesn't allow the transfer of money to any third parties. The beneficiary is the only recipient of the money and cannot further use the letter of credit to pay anyone.

Revocable LC

An LC that issuing bank or the buyer can alter any time without any notification to the seller/beneficiary. Such types of letters are not in use frequently as the beneficiary is not provided any protection. For more information click on Revocable LC

Irrevocable LC

An LC that does not allow the issuing bank to make any changes without the approval of all the parties.

Standby LC

A letter of credit that assures the payment if the buyer does not pay. After fulfilling all the terms under SBLC, if the seller proves that the promised payment was not made. In this situation, the bank will pay to the seller. In a nutshell, it does not facilitate a transaction but guarantees the payment. It is quite similar to a bank guarantee. For more information click on Standby LC

Confirmed LC

Which the seller or exporter acquires the guarantee of payment from a confirming bank (also called the second bank). This is primarily to avoid the risk of non-payment from the first bank. For more information click on Confirmed LC

Unconfirmed LC

A letter of credit that is assured only by the issuing bank and does not need a guarantee from the second bank. Mostly the letters of credit are an unconfirmed letter of credit.

Revolving LC

When a single LC is issued for covering multiple transactions in place of issuing separate LC for each transaction is called revolving LC. They can be further classified into Time Based (Could be Cumulative or Non-Cumulative) and Value-Based. For more information click on Revolving LC

Back to Back LC

Back to back LC is an LC which commonly involves an intermediary in a transaction. There are two letters of credit, the first issued by the bank of the buyer to the intermediary and the second issued by the bank of an intermediary to the seller. For more information click on Back to Back LC

Red Clause LC

A letter of credit that partially pays the beneficiary before the goods are shipped or the services are performed. The advance is paid against the written confirmation from the seller and the receipt. For more information click on Red clause LC

Green Clause LC

An LC that pays advance to the seller is just not against the written undertaking and a receipt, but also a proof of warehousing the goods. For more information click on Green Clause LC

Sight LC

A letter of credit that demands payment on the submission of the required documents. The bank reviews the documents and pays the beneficiary if the documents meet the conditions of the letter. For more information click on Sight LC

Deferred Payment LC

An LC that ensures payment after a certain period. The bank may review the documents early but the payment to the beneficiary is made after the agreed-to time passes. It is also known as Usance LC. For more information click on Differed payment LC

Direct Pay LC

A letter of credit where the issuing bank directly pays the beneficiary and then asks the buyer to repay the amount. The beneficiary may not interact with the buyer.

Indian Customs gears up for GST roll-out Guidance Note for Importers and Exporters

I. Introduction: The purpose of this guidance note is to bring clarity about the impact of GST,which would come into force with effect from 01.07.2017, for importers and exporters. On the imports side there would be no impact on levy of Basic Customs duty, Education Cess, Anti-dumping duty, Safeguard duty and the like. However, the Additional duties of Customs, which are in common parlance referred to as Countervailing Duty (CVD) and Special Additional duty of Customs (SAD), would be replaced with the levy of Integrated Goods and Services Tax(IGST), barring a few exceptions.On the exports side, export would be treated as zero-rated supply. Under zero-rated supply IGST paid on export goods or the input tax credit proportionate to the goods and services consumed in goods exported under bond /LUT would be refunded. A brief summary of the changes that would impact importers and exporters upon roll out of GST are encapsulated below:

Imports under GST

II. Duties at the time of import: In the GST regime, IGST and GST Compensation cess will be levied on imports by virtue of subsections (7) &(9) of Section 3 of the Customs Tariff Act, 1975. Barring a few commodities such as pan masala, certain petroleum products which attractlevy of CVD, majority of importswould attract levy of IGST. Further, a few products such as aerated waters, tobacco products, motor vehicles etc, would also attract levy of GST Compensation Cess, over and above IGST. IGST andGST Compensation cess, wherever applicable, would be levied on cargo that would arrive on or after 1st July, 2017. It may also be noted that IGST would also be levied on cargo which has arrived prior to 1st July but a bill of entry is filed on or after 1st July 2017.Similarly ex-bond bill of entry filed on or after 1 st July 2017 would attract IGSTand GST Compensation cess, as applicable.In the case where cargo arrival is after 1st July and an advance bill of entry was filed before 1st July along with the payment of duty, the bill of entry may be recalled and reassessed by the proper officer for levy of IGST and GST compensation Cess, as applicable.

III. Duty Calculation:

IGST rate: IGST rates have been notified through notification 01/2017-Integrated Tax (Rate), dated 28-06-2017. IGST rate on any product can be ascertained by selecting the correct Sl. No. as per description of goods andtariff headings in the relevant schedules of the notification. Importers are advised to familiarize themselves with IGST and GST compensation cess rates, schedule and exemptions which are available on CBEC website. The Customs duty calculator would be made available on CBEC and ICEGATE website.There are seven rates prescribed for

IGST- Nil, 0.25%, 3% 5%, 12%, 18% and 28%. The actual rate applicable to an item would depend on its classification and would be specified in Schedules notified under section 5 of the IGST Act, 2017. The rates applicable to goods of Chapter 98 are as under:

• 9801- Project Imports- 18% • 9802- Laboratory Chemicals- 18%

• 9803- Passenger baggage – Nil Rate

• 9804- Specified Drugs and medicines for personal use- 5%

• 9804- Other drugs and medicines for personal use- 12%

• 9804- All other dutiable goods for personal use- 28%

Likewise, different rates of tax have been notified for goods attracting Compensation Cess which is leviable on 55 item descriptions (of supply). These rates are mostly ad valorem. But some also attract either specific rates (e.g. coal) or mixed rates (ad valorem + specific) as for cigarettes. The coverage of the goods under GST compensation cess isavailable on CBEC website along with their HSN codes and applicable cess rates.The IGST Rates of Goods, Chapter wise IGST rate, GST Compensation Cess rates, IGST Exemption/Concession are available on CBEC website for trade and departmental officers as well.

Valuation and method of calculation: IGST is leviable on the value of imported goods and for calculating integrated tax on any imported article, the value of such imported goods would be the aggregate of –

(i) the value of imported article determined under sub-section (1) of section 14 of the Customs Act, 1962 or the tariff value fixed under sub-section (2) of the that section and

(ii) (ii) any duty of Customs chargeable on that article under section 12 of the Customs Act, 1962 and any sum chargeable on that article under any law for the time being in force as an addition to, or as duty of Customs but does not include to the tax referred in the sub-section 7 (IGST) and sub-section 9 (Compensation Cess).

The value of the imported article for the purpose of levying GST Compensation cess shall be, assessable value plus Basic Customs Duty levied under the Act, and any sum chargeable on the goods under any law for the time being in force, as an addition to, and in the same manner as, a duty of customs. These would include education cess or higher education cess as well as anti-dumping and safeguard duties.The inclusion of anti-dumping duties and safeguard duty in the value for levy of IGST and Compensation Cess is an important change. These were not hitherto included in the value for the levy of additional duty of customs (CVD) or Special Additional Duty (SAD).The IGST paid shall not be added to the value for the purpose of calculating Compensation Cess. Although BCD, Education Cesses and IGST would be applicable in majority of cases, however, for some products CVD, SAD or GST Compensation cess may also be applicable. For different scenarios the duty calculation process has been illustrated in Annexure - I of this document.

IV. Changes in import procedures:

Importer Exporter Code (IEC): In GST regime, GSTIN would be used for credit flow of IGST paid on import of goods. Therefore, GSTIN would be the key identifier. DGFT in its Trade Notice No. 09 dated 12.06.2017 has statedthat PANwould be theImport Export code (IEC). However, while PAN is identifier at the entity level, GSTIN would be used as identifier at the transaction level for every import and export. Further, in scenarios where GSTIN is not applicable, UIN or PAN would be accepted as IEC. It is advised that all importers need to quote GSTIN in their Bills of Entry in addition to IEC. In due course of time IEC would be replaced by PAN / GSTIN. **Bill of Entry Regulations and Format**: To capture additional details in the Bill of entry such as GSTIN, IGST rate and amount, GST Compensation Cess and amount, the electronic as well as manual formats of Bill of entry including Courier Bill of entry are being amended. For the benefit of the trade, modified Forms have been hosted on the departmental website, www.cbec.gov.in. Further, suitable notifications shall be issued to amend the relevant regulations and introduce modified Forms. V. Import under Export Promotion Schemesand duty payment throughEXIM scrips: Under the GST regime, Customs duties will be exempted on imports made under export promotion schemes namely EPCG, DEEC (Advance License) and DFIA. IGST and Compensation Cess will have to be paid on such imports. The EXIMscrips under the export incentive schemes of chapter 3 of FTP (for example MEIS and SEIS) can be utilised only for payment of Customs dutiesor additional duties of Customs, on items not covered by GST,at the time of import. The scrips cannot be utilized for payment ofIntegrated Tax and Compensation Cess. Similarly, scripscannot be used for payment of CGST, SGST or IGST for domestic procurements.38 VI. EOUs and SEZ: EOUs/EHTPs/STPs will be allowed to import goods without payment of basic customs duty (BCD) as well additional duties leviable under Section 3 (1) and 3(5) of the Customs Tariff Act. GST would be leviable on the import of input goods or services or both used in the manufacture by EOUs which can be taken as input tax credit (ITC). This ITC can be utilized for payment of GST taxes payable on the goods cleared in the DTA or refund of unutilized ITC can be claimed under Section 54(3) of CGST Act. In the GST regime, clearance of goods in DTA will attract GST besides payment of amount equal to BCD exemption availed on inputs used in such finished goods. DTA clearances of goods, which are not under GST,would attract Central Excise duties as before. VII. Imports / Procurement by SEZs Authorised operations in connection with SEZs shall be exempted from payment of IGST. Hence, there is no change in operation of the SEZ scheme. VIII. Project Import: Currently for items imported under project import scheme (i.e. CTH 9801), unique heading under the Central Excise Tariff, for the purposes of levy of CVD does not exist. Therefore, under the Central

Excise Tariff, each item is getting classified in a heading as per its description and duty is paid on merit. In the GST regime, for the purpose of levying IGST all the imports under the project import scheme will be classified under heading 9801 and duty shall be levied @ 18%. IX. Baggage: Full exemption from IGST has been provided on passenger baggage. However, basic customs duty shall be leviable at the rate of 35% and education cess as applicable on the value which is in excess of the duty free allowancesprovided under the Baggage Rules, 2016. X. Refunds of SAD paid on imports: The need for SAD refunds arose mainly on account of the fact that traders or dealers of imported goods were unable to take credit of this duty (which was a Central tax) while discharging their VAT or Sales tax liability (which was State levy) on subsequent sale of the goods. Unless corrected through a mechanism such as refund (of one of the taxes) this would have resulted in "double" payment of tax. With the introduction of GST on 01.07.2017, credit of "eligible duties" in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock, is permissible to registered persons not liable to be registered under the existing law (for instance, VAT dealers) under transitional provisions (Section 140(3) of the CGST Act). Further, eligible duties as defined in sub-section (10) include SAD. In other words, dealers/ traders can take ITC of SAD paid on goods imported prior to 1 st July 2017. Sub-section (5) of section 140 also allows a registered person to take credit of eligible duties in respect of inputs received on or after 1 July 2017 but the duty on which has been paid under the existing law. These provisions taken together ensure that SAD paid by dealers/ traders can be set-off against their GST liability as and when imported goods are supplied by them in the domestic market.However, certain items which are out of the GST net would be eligible for SAD refunds as earlier. XI. Imports and Input Tax Credit (ITC): In GST regime, input tax credit of the integrated tax (IGST) and GST Compensation Cess shall be available to the importer and later to the recipients in the supply chain, however the credit of basic customs duty (BCD) would not be available. In order to avail ITC of IGST and GST Compensation Cess, an importer has to mandatorily declare GST Registration number (GSTIN) in the Bill of Entry. Provisional IDs issued by GSTN can be declared during the transition period. However, importers are advised to complete their registration process for GSTIN as ITC of IGST would be available based on GSTIN declared in the Bill of Entry. Input tax credit shall be availed by a registered person only if all the applicable particulars as prescribed in the Invoice Rules are contained in the said document, and the relevant information, as contained in the said document, is furnished in FORM GSTR-2 by such person. Customs EDI system would be interconnected with GSTN for validation of ITC. Further, Bill of Entry data in non-EDI locations would be digitized and used for validation of input tax credit provided by GSTN. Exports under GST XII. Drawback: No amendments have been made to the drawback provisions (Section 74 or Section 75) under Customs Act 1962 in the GST regime. Hence, the drawback scheme will continue in terms of both section 74 and section 75. Option of All Industry Rate (AIR) as well as Brand Rate under Section 75 shall also continue. Drawback under Section 74 will refund Customs duties as well as Integrated Tax and Compensation Cess paid on imported goods which are re-exported. At present Duty Drawback Scheme under Section 75 neutralises Customs duty, Central excise duty and Service Tax chargeable on any imported materials or excisable materials used or taxable services used as input services in the manufacture of export goods. Under GST regime, Drawback under Section 75 shall be limited to Customs duties on imported inputs and Central Excise duty on items specified in Fourth Schedule to Central Excise Act 1944 (specified petroleum products, tobacco etc.) used as inputs or fuel for captive power generation. A transition period of three months is also being provided from date of implementation of GST i.e. 1.7.2017. During this period, existing duty drawback scheme under Section 75 shall continue. For exports during this period, exporters can claim higher rate of duty drawback (composite AIR) subject to conditions that no input tax credit of CGST/IGST is claimed, no refund of IGST paid on export goods is claimed and no CENVAT credit is carried forward. A declaration from exporter and certificate from jurisdictional GST officer in this regard has been prescribed in the notification related to AIRs. This will prevent double availement of neutralisation of input taxes. Similarly, the exporter can claim brand rate for Customs, Central Excise duties and Service Tax during this period. Exporters also have the option of claiming only the Customs portion of AIR and claim refund/ITC under GST laws. All Industry Rates for the transition period shall be notified before 1.7.2017. The AIR for post transition period shall be notified in due course of time. The certificates from jurisdictional GST officer as referred above may not be available during initial days. As per Systems design, whenever higher rate (composite rate) of drawback is claimed, the non-availment of credit certificate is a mandatory document and unless it is recorded as available, shipping bill will not move to LEO stage. In such a situation, all field formations shall ensure that exports are not delayed for requirement of the said certificate. The way out in such situation for the exporter is to amend the shipping bill to claim lower rate. The exporter will have an option to file supplementary claim as per Drawback Rules at a later date once the certificate is obtained. A similar issue in respect of Cenvat credit has been examined and clarified in the past vide Instruction no. 609/159/2016-DBK dated 13.03.2014. Secondly, it could be possible that export goods may be manufactured by using both Central Excise/Service Tax paid and CGST/IGST paid inputs and inputs services or only CGST/IGST paid inputs and inputs services. In such situation, an exporter opting to claim composite rate of duty drawback during transition period has to give specified declaration and produce certificates as stated above so that he does not claim double benefit. Exporter will have to reverse the ITC if any availed and also ensure that he does not claim refund of ITC/IGST. Requisite certificate from GST officer shall also be required to this effect. As mentioned earlier, exporters will also have option of claiming credit/refund of CGST/IGST and claim Customs rate drawback. XIII. Refund of IGST paid on exports and Export under Bond scheme: Under GST regime exports would be considered as zero-rated supply. Any person making zero rated supply (i.e. any exporter) shall be eligible to claim refund under either of the following options, namely: — (a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilised input tax credit; or (b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of section 54 (Refunds) of the Central Goods and Services Tax Act or the rules made there under (i.e Refund Rules 2017). For the option (a),procedure to file refund has been outlined in the Refund Rules under GST. The exporter claiming refund of IGST will file an application electronically through the Common Portal, either directly or through a Facilitation Centre notified by the GST Commissioner. The application shall be accompanied by documentary evidences as prescribed in the said rules.Application for refund shall be filed only after the export manifest or an export report, as the case may be, is delivered under section 41 of the Customs Act, 1962 in respect of such goods. For the option (b),the shipping bill filed by an exporter shall be deemed to be an application for refund of integrated tax paid on the goods exported out of India and such application shall be deemed to have been filed only when the person in charge of the conveyance carrying the export goods duly files an export manifest or an export report covering the number and the date of shipping bills or bills of export and the applicant has furnished a valid return.42 For both option (a) and (b) exporters have to provide details of GST invoice in the Shipping bill. ARE-1 which is being submitted presently shall be dispensed with except in respect of commodities to which provisions of Central Excise Act would continue to be applicable. XIV. Change in export Procedures: Electronic as well as manual Shipping Bill formats including Courier Shipping Bill are being amended to include GSTIN and IGST related information so as to ensure that the export benefits like refund of IGST paid as well asaccumulated input tax credit can be processed seamlessly. For the benefit of the trade, modified Forms have been hosted on the departmental website, www.cbec.gov.in. Further, suitable notifications shall be issued to amend the relevant regulations and introduce modified Forms. XV. Export under factory stuffing procedures: In the context of GST, taking into account the obligation of filing GSTR1 and GSTR2 by exporters who are registered under GST, Board intends to simplify the procedure relating to factory stuffing hitherto carried out under the supervision of Central Excise officers. It is the endeavour of the Board to create a trust based environment where compliance in accordance with the extant laws is ensured by strengthening Risk Management System and Intelligence mechanism of the department. Suitable circular in this regard would be issued. Until then the extant instructions on the issue may be followed. Note: The above guidance note should not be used in anyquasi-judicial or judicial proceedings, where only the relevant legal texts need to be referred to