

## LOGISTIC POLICY – A Manual

### Information Required from Buyer / Marketing Officer at the time of dispatch

#### Domestic Dispatch:

1. TIN / VAT Number : To be mentioned on the Invoices to avoid unnecessary holding of goods at Barriers ( particularly in South)
2. Clear Dispatch Instructions: It includes following information:
  - Mode of Transport : by Road / Train /Air; and Freight “To Pay or Prepaid basis”
  - Transport recommendation: Buyer can specify the name of the transport subject to JCT approval.
  - Destination: In case consignee destination is other than buyer’s station, it should be clearly mentioned in the sale contract or pre intimation to be given to logistic before actual dispatch takes place.
  - Freight: Whether Pre-paid or to pay: In case of Freight is on Pre-paid Basis, D(O) ‘s approval must be given to Logistic or the prices mentioned in sale contract should reflect the same. Interim approval of VPM / GM C should be given in case D(O) is out of station.
  - LR preparation: Any specific information, in case other than normal, should be included.
  - Forwarding Instructions for Original documents i.e., where these documents are to be sent – whether to hold with us or with agent or RSO or directly to customers.
  - Payment Terms: to be specifically mention if it is other than normal terms,(DACC), particularly in case of LC.

Against DACC consignments RTGS/NEFT made by the buyer and same is confirmed by the accounts then the releasing order issued to transporters by logistics department only.

#### Suggestion:

It is observed that some times goods are sent through Train / AIR Mode on Pre paid basis, but delivery of the same taken by buyer after lapse of many days, which indicates futile urgency on the part of buyer ends up in higher Cost to JCT (difference of Air/Train freight cost – Road Freight).

It is suggested to send such goods on Door Delivery basis to avoid such delay. Before dispatching we must have obtain realization of the door delivery consignments.

#### 3. Additional information required for SEZ/ EOU (Deemed Exports):

- To be specifically mention that that a particular dispatch for SEZ or EOU.

- Copy of the Valid SEZ / EOU Certificate granted by Custom's/Central Excise Authority to buyer, to be provided to marketing officer for onward handover to Logistic/ Excise Dept. of JCT, before dispatch takes place. This is required for first time and later in case the validity is expired.
- If goods are being dispatched under DEPB scheme or Advance License Scheme.

#### Documents involved

##### 1. For Normal domestic area dispatches:

Invoice,  
LR,  
Challan / packing lists.

##### 2. For items attracting sale tax (VAT or CST)

For items attracting VAT/CST, i.e., Garments / Yarn, when sold outside Punjab, requires VAT Form to be filled online on the website of Taxation department. The printout of the same should be handed over to driver, which is required to be submitted at the Border of Punjab.

##### 3. For SEZ/ EOU (Deemed Exports)

1. Valid CT-3 must be provided by buyer to JCT. It is required before dispatch. This is applicable to EOU.

Excise Deptt to keep a track of the validity of CT-3; and to inform Logistic/ Marketing deptts to get its renewal well in time

2. ARE-3 : This is prepared by JCT and CT-3 number is to be mentioned in the same.

3 copies are to be sent to buyer and out of which 2 copies, duly endorsed by Customs/ Excise officers of the customer's area are returned to JCT for submission to Central Excise Deptt. as a proof of shipment to be considered for exports. This should be returned within 60 days.

3. Shipping Bills under DEPB / Advance License Scheme (Applicable to SEZ invoices): Based on the information (whether goods are dispatched under DEPB or Advance License) furnished by marketing department shipping bill will be prepared.

5 copies of Shipping Bills are sent to buyer out of which 2 copies i.e. EP and DEPB copy of the same must be returned to JCT after proper endorsement by their Custom's Authority within above time frame.

4. Applicable specifically to SEZ only ( The Mandatory Condition):

Payment should be remitted in Foreign Currency by buyer thru normal Banking mode. Sale Invoice should be prepared in Foreign currency i.e. US\$/EURO/ UK Pound etc.

In case sale is made in Indian Rupee term to SEZ Buyer, and payment received in rupee, then , buyer must provide Certificate from their Bank that the payment is made in Indian Rupee from their Foreign Currency Account; other wise JCT will NOT be able to get DEPB benefit on such Export / supply to SEZ area.( a direct Loss of DEPB benefit to JCT)

#### Benefits and Losses:

1. There are four types of benefits available on Deemed Exports

- a. DEPB
- b. EPCG
- c. Advance License.
- d. Refund of Excise duty

DEPB is a post export benefit and is in term of % of export value. On the other hand, Advance License (Correct Term is Advance Authorisation) is a pre-export benefit, where, one can import duty free inputs for an export order under conditions of Standard Input Out Norms, etc. One can avail only benefit (i.e. DEPB or Advance License) and hence it is important to mention the same in dispatch instructions so that documents are prepared accordingly.

EPCG is related to import of machinery at subsidized custom duty and its benefits can not be considered in costing. However, it helps to off-set export obligations under EPCG.

We are paying excise duty on various inputs and the same is refunded back to the manufacturer through MODVAT scheme. But since, we are not adding duty in the output, we can not claim its refund through domestic dispatches. However, this benefit is available to exporter (both for Direct Export and Deemed Export), for which we have to deposit ARE-1 duly endorsed from buyer's custom/excise officials – to our excise office.

2. In case CT-3 is not given for EOU sales, the supply can not be considered as deemed exports so the above mentioned benefits are not available. In such case, logistic will Hold the supply till receipt of CT3 from buyer ( Ref Sr. No. 3(3)2).
3. In case ARE-1 and Shipping Bill are not returned within requisite time frame, JCT will loose both export benefits, i.e, DEPB or EPCG or Advance License and Refund of duties.
4. Incase ARE-3 are not returned to JCT within above time frame, than we will not be able to submit the proof of supplies to EOU and resultantly Excise duty saved by us at the time of clearance of goods to EOU, become payable, which is a Loss of Refund of Excise duty from Excise Deptt. as well as its Export Obligation will not be completed & have to pay penalties to Licensing authority. Non submission of the same is considered as no-export.

NOTE :It is further clarified that supplies made to SEZ/EOU are cleared from Mills without payment of Excise duty but filing ARE -1/ARE -3, mentioning amt. of Excise duty involved in the c/ment and in case ARE!/3 are NOT submitted as returned by buyer, then we have to pay the Excise duty to Central Excise Deptt – a direct Loss to JCT

Suggestion:

Hence it is imperative that our Excise section should keep a very close watch in receipt of ARE-3 / 1; and a fortnightly report should be provided by them to concerned marketing officer/logistic/accounts deptt, showing invoice wise Excise duty involved, for delay more than 30 days, so that timely action to be taken by concerned MKTG officer to get the doc's immediately to avoid above Loss.

5. Logistic deptt. will provide the above documents, for buyer, besides normal invoice copy, which are to be returned to JCT within 45 Days after getting them properly endorsed by buyer's Custom Authority in SEZ area.
6. Charging of Loss to Buyer: **Incase ARE-3 / Shipping Bills – EP/DEPB Copies are not recd by JCT within time frame/ repeated requests, as mentioned earlier, it will result in shortfall in completion of export obligation under Advance Licence, OR Loss of DEPB, then buyer will be Charged with the amount of Excise duty involved in Clearance of goods from Mill and proportionate amount of Custom duty + Interest @ 15% ( applicable presently) OR with amount of DEPB, so Lost by JCT.**

### 3. EXPORT SHIPMENTS - Overseas

Shipment Information required at the time of dispatch:

#### a. INCO terms (International Commercial Terms)

There are number of commercial terms, but generally used are CIF, C&F and FOB.

Applicable charges payable by us as on today (variable from time to time) for overseas shipment are for FOB/CIF/C&F are elaborated below:

Type of Charges	Per	Charges in INR	Applicable Charges		
			FOB	C&F	CIF
THC (Terminal Handling Charges)	20'FCL	13 to 14 k	Yes	yes	yes
	40'FCL	23 to 24 k	Yes	yes	yes
	LCL	700/ CBM			
B/L Charges	per shipment	1200	Yes	yes	yes
CHA Charges	20' FCL	5000	Yes	yes	yes
	40'FCL	6000	Yes	yes	yes
	LCL	4000	Yes	yes	yes
Ocean Freight Insurance		Variable	N.A	yes	yes
			N.A	N.A	yes
Inland Freight	9 MT	25000	Yes	yes	yes
	15 MT	35000	Yes	yes	yes

b. The case of Nomination forwarder:

CHA expenses include clearing and forwarding. But when a forwarder is nominated by customer, INCO terms used should only be FOB. In such case, customer/ marketing officer should inform us the contact details of nominated forwarder before dispatch from Mills so that documents are prepared accordingly.

Concerning expenses in case of nominated forwarder, only freight and insurance is to be borne by customer. All other expenses are still borne by us. Therefore, while quoting CIF Price vs FOB Price, we should subtract ocean freight and insurance only.

We should prefer CIF pricing as it helps to exercise some control and we can negotiate with shipping lines and CHA in a better way based on volumes.

c. Port of destination:

In case consignee's Port of destination differs from buyer's port, the same to be advised to Logistic before shipment take place.

d. Payment terms:

LC, TT, CAD , DA /DP/etc. In case of Lc Expired / TT awaited prior approval required for D(o ) before moving the goods

- e. Harmonised System Tariff Code: An eight digit HS code to be given. It is mandatory from 1.1.11 that HS Code is mention on shipping bill and invoice. It is suggested to take the same from customer.

**Pre- shipment Documentation:**

At the time of physical export, as per law, we have to provide the following documents to Custom Authorities at port for examination and appraisal of any Export shipment.

1. Copy of sales contracts duly signed by shipper and Buyer.
2. LC Copy or payment proof in case of Telegraphic Transfer (TT); Other wise in all other cases –Payment terms are DA/ DP/ etc with ECGC cover.
3. Proforma Invoice
4. Packing list
5. **ARE 1**
6. Shipping Bill. – needs to specify which export benefit to be considered, i.e. , DEPB, Advance license or Duty Drawback.

The goods are transported from Mills to Sea / Air Port by Road (Train in case of Emergency) to our CHA (Custom House Agent), who submit docs i.e. Shipping Bill , ARE 1 with above rest doc's to Custom Authorities and get it Custom cleared and then handover it to shipping line for onboard.

7. Then captain of the Ship issues mate receipt for the consignment.

8. For USA we already filing advance cargo declaration before sailing from India. Presently, the ACD for Europe is also compulsory from 1/1/2011, so we have to furnish all shipping related details before shipments.

Any amendment after custom clearance /filing ACD involves unnecessary expenses, which should be charged to buyer. After custom clearance we have to avoid back to town process. It will take at least one week for completing procedures. Minimum Rs 5 to 6 k will expenses also involved.

9. For getting DEPB and EPCG We have to declare the product mix of our product. Every shipment we can claim DEPB and issuing License by DGFT. Every License again we have to verify and expenses around Rs 700/- License. So Depb Licenses less than Rs 1000/- not beneficial for us and must be avoided.

10. GSP – Country of Origin Document.

No change is recommended in any documents and terms once shipping bill is filed with customs. For any change, we will have to bear additional expenses charged by CHA and some out of pocket expenses.

Ocean Freight :

For ready reference of Mktg, the expected ocean freight & clearing and forwarding charges of shipment / Linear meter are as under,

for middle east countries	: 3-4 Cents/ Linear Meter,
Colombo	: 2-3 cents ,
Europe	: 6-7 cents and
USA	: 7-8 cents .

Suggestion:

Every export shipment big or small required custom clearance and required all documentation formalities. So statutory expenses filing shipping bills/ B/L and Agency charges/ CO/ GSP etc compulsory for all export shipments. We should not encourage small quantity shipments.

Lead Time :

At least 10 days lead time required to catch shipment date or shipments onboard.

#### **4. GODOWN PROCEDURES**

For physical clearing day to day dispatches on the same day, we have to stop billing at 4.30 pm sharp unless there is Air/Train. We can follow this up to last day of the month. After billing of 4.30 pm the physical clearance will be next day only .

The Air/ train dispatches will be exempted from the above clause.

**Unplanned issue:**

Suggested Marketing deptt. to prepare UNIS and get it sanctioned from D(O) all copies are handover to Logistic department. Logistic department will distribute all the copies to respective departments. Both the copies of Godown and Warehouse handover to Godown keeper and he ensure rolls must be issue same day to warehouse. The Godown keeper must get it sign from warehouse at the time of issue physically