

Pre-shipment finance

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Financial assistance to the exporters is generally provided by Commercial Banks, before shipment as well as after shipment of the said goods. The assistance provided before shipment of goods is known as pre-shipment finance and that provided after the shipment of goods is known as post-shipment finance.

Pre-shipment finance is given for working capital for purchase of raw-material, processing, packing, transportation, ware-housing etc. of the goods meant for export. Post-shipment finance is provided for bridging the gap between the shipment of goods and realization of export proceeds. (India Finance and Investment Guide, 2006.) The later is done by the Banks by purchasing or negotiating the export documents or by extending advance against export bills accepted on collection basis. While doing so, the Banks adjust the pre-shipment advance, if any, already granted to the exporter.

An application for pre-shipment advance should be made by you to your banker along with the following documents: Confirmed export order/contract or L/C etc. in original. Where it is not available, an undertaking to the effect that the same will be produced to the bank within a reasonable time for verification and endorsement should be given. (Standard Chartered, 2006)

An undertaking that the advance will be utilized for the specific purpose of procuring/manufacturing/shipping etc., of the goods meant for export only, as stated in the relative confirmed export order or the L/C. (Pre-shipment Financer, 2006).

If you are a sub-supplier and want to supply the goods to the Export/Trading/Star Trading House or Merchant Exporter, an undertaking

from the Merchant. Purchase of Export Documents drawn under Export Order, Purchase or discount facilities in respect of export bills drawn under confirmed export order are generally granted to the customers who are enjoying Bill Purchase/Discounting limits from the Bank.

As in case of purchase or discounting of export documents drawn under export order, the security offered under L/C by way of substitution of credit-worthiness of the buyer by the issuing bank is not available, the bank financing is totally dependent upon the credit worthiness of the buyer. (Exim Finance) Advance against Goods Sent on Consignment Basis: When the goods are exported on consignment basis at the risk of the exporter for sale and eventual remittance of sale proceeds to him by the agent/consignee, bank may finance against such transaction subject to the customer enjoying specific limit to that effect.

However, the bank should ensure while forwarding shipping documents to its overseas branch/correspondent to instruct the latter to deliver the document only against Trust Receipt/Undertaking to deliver the sale proceeds by specified date, which should be within the prescribed date even if according to the practice in certain trades a bill for part of the estimated value is drawn in advance against the exports. Customs Duty Drawback Scheme is administered by Directorate of Duty Drawback in the Ministry of Finance.

(Tcf, 2006) The claims of duty drawback are settled by Custom House at the rates determined and notified by the Directorate. As per the present procedure, no separate claim of duty drawback is to be filed by the exporter. A copy of the shipping bill presented by the exporter at the time of making

shipment of goods serves the purpose of claim of duty drawback as well. This claim is provisionally accepted by the customs at the time of shipment and the shipping bill is duly verified.

(Australian Customs services, 2006). The claim is settled by customs office later. As a further incentive to exporters, Customs Houses at Delhi, Mumbai, Calcutta, Chennai, Chandigarh, and Hyderabad have evolved a simplified procedure under which claims of duty drawback are settled immediately after shipment and no funds of exporter are blocked. (Hyderabad Customs, 2006). Rates of Interest The rate of interest depends on the nature of the Bills, i. e. , whether it is a demand bill or issuance bill.

Like pre-shipment, post-shipment finance is also available at agreement rate of interest. Present Rates of interest are as under: Demand Bills for transit period Not exceeding (as specified by FEDAI) 10% p. a. Issuance Bills (for total period comprising issuance period of ex-port bills, transit period as specified by FEDAI and grace period, wherever applicable: Up to 90 days 10% p. a. Beyond 90 days and up to six 12% per . months from the date of shipment. Beyond six months from the 20% date of Shipment (Minimum).