A Study of Instrument used in Trade Finance Suzlon Energy Ltd. Pune

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Abstract: The project is commenced in on "A Study of Instrument used in Trade Finance" in "SUZLON ENERGY LTD" COMPANY. Exchange fund identifies with the way toward financing certain exercises identified with business and worldwide exchange. International trade financing in its simplest form, seeks to conform the needs of both importers and exporters. It does this by protecting the interests of both parties in the international marketplace, and by completingtransactions that could involve multiple currencies.This project report basically based on Trade Finance, information of internship, Practical work and conclusion made on it. Through this project we can understand the various instruments of trade finance which are used in Suzlon Energy Ltd.

Keywords: Trade Finance,Letter Of Credit, Bank Guarantee, Export Finance

I. INTRODUCTION:

Trade finance: The term Trade Finance means, account for exchanging. Trade transaction there should be Seller to sell the goods or services and Buyer who will buy the goods or services. The main forms of trade finance include account, Letters of credit, Factoring, trade credit insurance, Guarantee, Forfeiting and structured finance. International trade financing in its simplest form, seeks to conform the needs of both importers and exporters. It does this by protecting the interests of both parties in the international marketplace, and by completing transactions that could involve multiple currencies. This project report basically based on Trade Finance, information of internship, Practical work and conclusion made on it. Through this project we can understand the various instruments of trade finance which are used in Suzlon Energy Ltd.

1.2 FINANCIAL PERFORMANCE

Suzlon Energy Ltd is Wind Turbine and solar power based company in Pune, It was once in the past positioned by make as the world 5 biggest breeze turbine provider It has since dropped out of the Global top 10 rankings starting at 2014 because of broad misfortunes and powerlessness to re-pay obligations. The organization's site professes to have over 17,000MW of wind vitality limit introduced all around, with tasks crosswise over 18 nations, workforce of more than 8,000.

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

If defiance of financial issues, in 2016 continues be a major manufacturer of wind turbines, the company posted a benefit EBITDA accumulating misfortunes more than seven sequential years. Due to globalization & too much dependency over technology has created huge reliability over electricity causing lot of pollution & costs as well as most of electricity is produced from burning fossil fuels & in terms is not green fuel. Due to limited availability of this non-green fuel has created gap between demand & supply of required electricity by humans. To bridge these gap renewable energy resources such as Sun, Wind, etc. can be utilized. Also, these are green fuel resources & hence does not cause any harm to environment along with production of mankind. Thus, these are long life sustainable energy resources if utilized in proper manner.

1.3 NEED FOR THE STUDY

This project has explored the requirement for exchange money and presented the absolute most basic exchange account apparatuses and rehearses. Which plays vital role for the growth and development of economy? In recent scenario have been observed remarkable growth in international transactions. With the fast-growing international oriented transactions in business enter During the summer training period at SUZLON Company, I studied the different aspects of preparation of **"Letter of credit, Bank Guarantee, Non-LC payment option & Export Payment"** which was made by professionals in the Corporate Finance, Treasury management & Account team of the company. This experience was an emphasis on the importance and process flow of these methods of payment.

1.4 OBJECTIVES OF THE STUDY

- To understand various function of the Corporate Finance Department.
- To understand the use and need and process of the Bank Guarantee and Buyer's credit.
- The depth understanding of Trade Finance.
- To understand how Corporate Finance Department works in company.
- International Trade Finance concept, techniques and structures are examined in detail.

II. METHODOLOGY

Researchers also need to understand the belief under various typographical they need to know the benchmark by which they decide that certain technique and procedure will be applicable to a certain problems will not. This implies it is essential for the scientist to structure his procedure for his concern as the equivalent may adjust from issue to issue.

2.2 SOURCES OF DATA

Secondary data use for the study, collected from the Suzlon SOP (Standard Operating Procedures), Purchase order, Performa invoice, Draft, Documents etc. Data has been already collected it called as a Secondary Data.

2.3 PERIOD OF THE STUDY

ISSN:0971-1260
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The present examination spread a time of three years from 2017-2019

2.4 FRAME WORK OF ANALYSIS

The companies performance can be done thru a carefully and critical analysis of financial statements. The 2 significant fiscal reports are Balance sheet and Profit and misfortune account. It indicates the operating results and financial position of the involvement; in this manner by investigating the announcements, execution can be advised.

2.5 LIMITATIONS

- The project was constrained for the period of 9 weeks only hence to obtain the data, understand it may not be ample for detail interpretation.
- The study is based on the past data and may not be true indicator of future performance due to changes in the various fundamental as well as other aspects.
- The project is related to trade finance, due to some rules and regulations of company the company did not give each every information of there working procedure. For e.g. Assessment of Letter of credit limit which availed by bank, certain Key ratios etc.
- As not a legal former employee of the company not able to get the actual mechanism of the Letter of Credit of other department like Accounts, Treasury, Respective verticals, Foreign trade department etc.

III. Instrument used in Trade Finance

3.2 Process of Finalized Vendor

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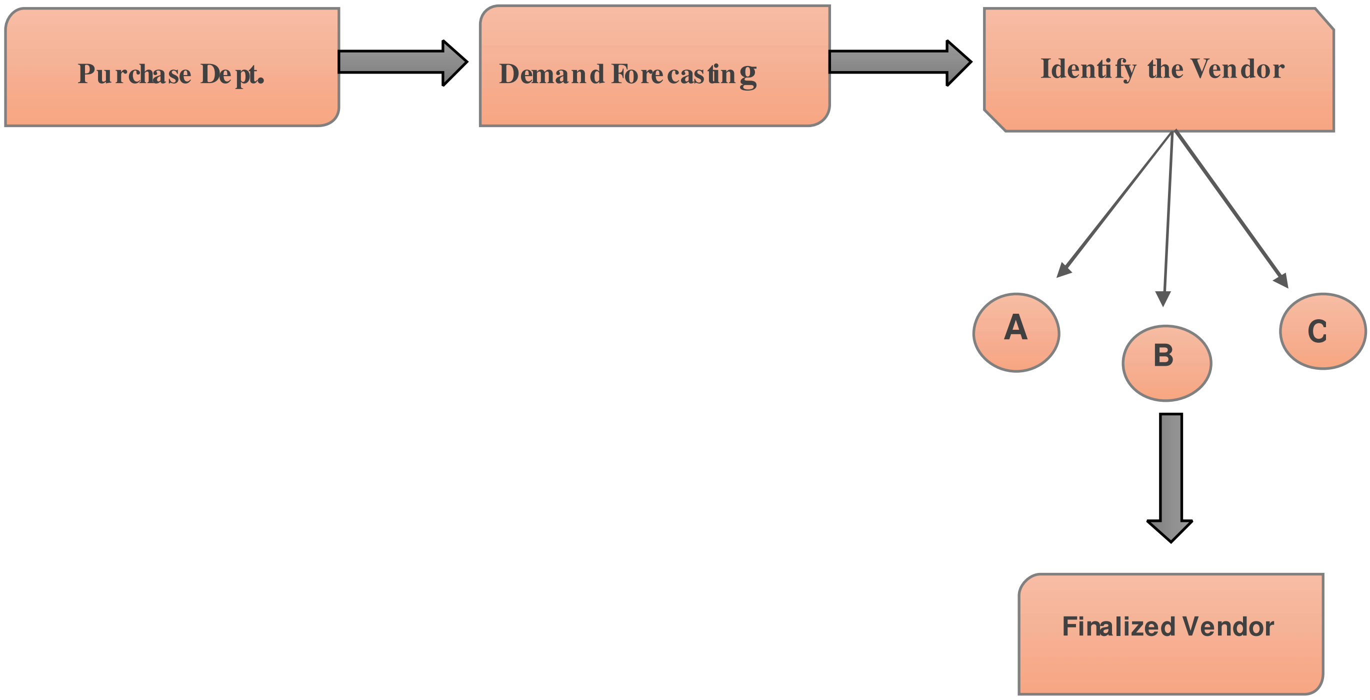

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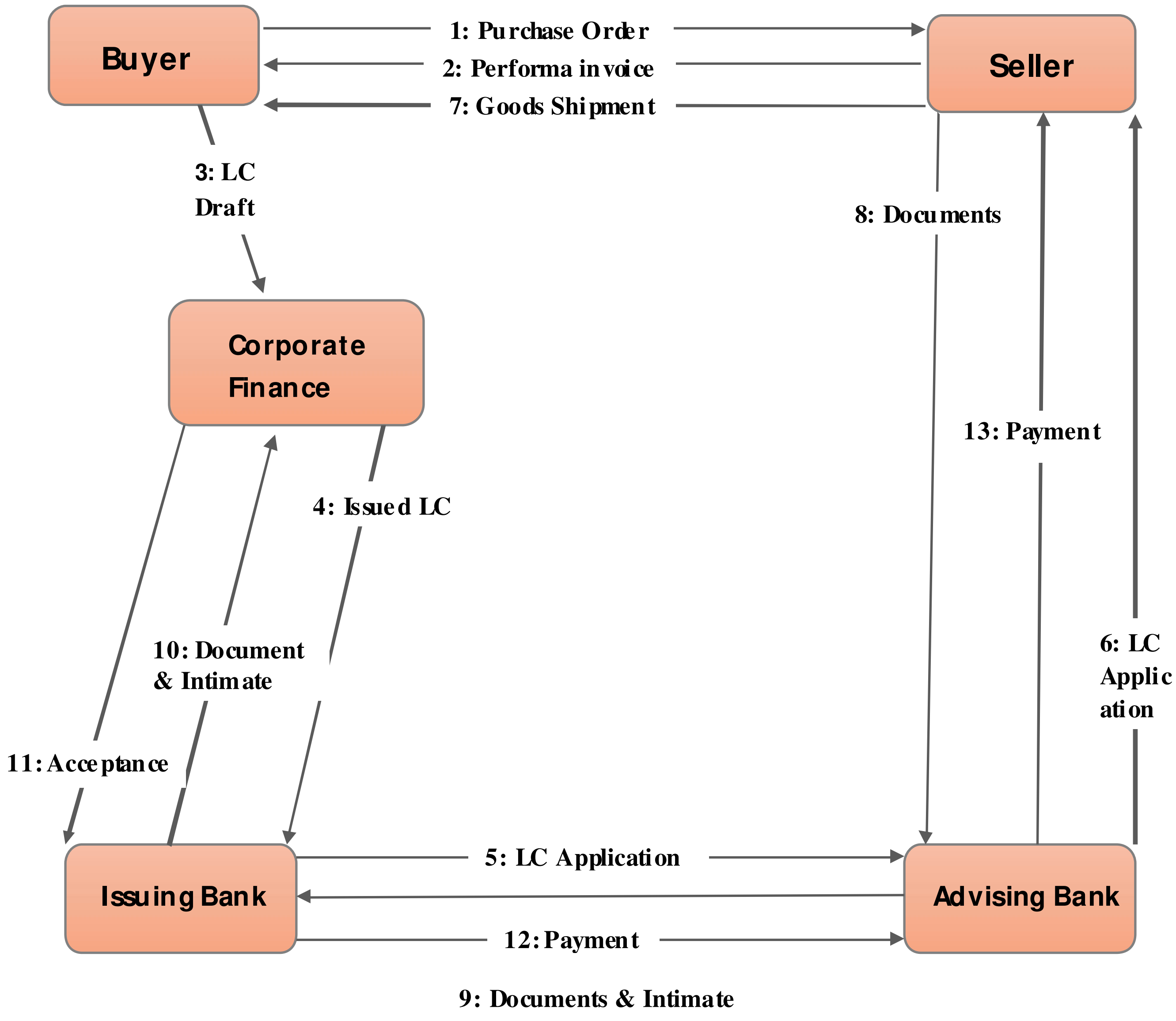
3.3 Process Of Letter Of Credit:



ISSN:0971-1260
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3.4 LETTER OF CREDIT:

A written guarantee to pay by a buyer or issuing bank the seller or exporter accepting bank. A letter of credit ensures installment of predetermined money, gave the seller. These document almost clean air-way bill and bill of lading, certificate of origin and commercial invoice. To set up a letter of credit for the vender or recipient the applicant (called the purchaser) either pays the predefined whole assistance charges front to the giving bank.

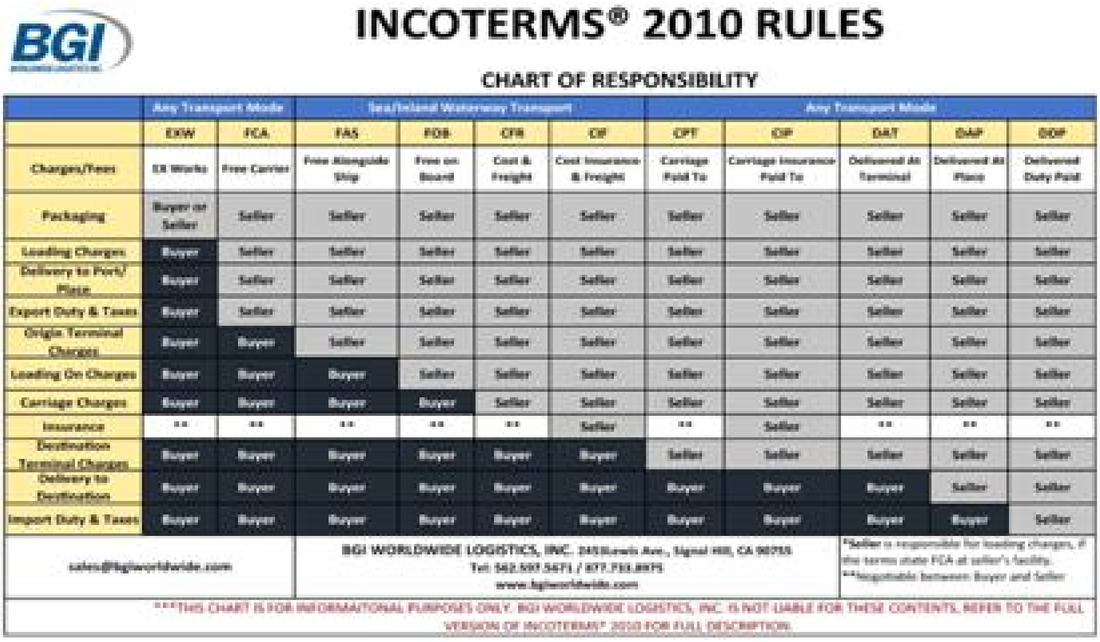

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CHART OF RESPONSIBILITY

	Any Transport Mode		Sea/Inland Waterway Transport				Any Transport Mode				
	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAT	DAP	DDP
Charges/Fees	EX Works	Free Carrier	Free Alongside Ship	Free on Board	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered At Terminal	Delivered At Place	Delivered Duty Paid
Packaging	Buyer or Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/ Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty & Taxes	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Charges	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	**	**	**	**	**	Seller	**	Seller	**	**	**
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller
Import Duty & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

*Seller is responsible for loading charges, if the terms state FCA at seller's facility.
**Negotiable between Buyer and Seller

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3.5 FIXED DEPOSIT

Fixed deposit is deployment of excess funds/ to avail facilities provided by the bank. Company has to keep margin money as FD with a bank, finance company or a large corporate for a specific duration. It is very safe and secure way of investment with assured returns. In case of FD interest may be earn at regular intervals during the tenure of the deposit or on maturity.

3.6 Process Of Fixed Deposit

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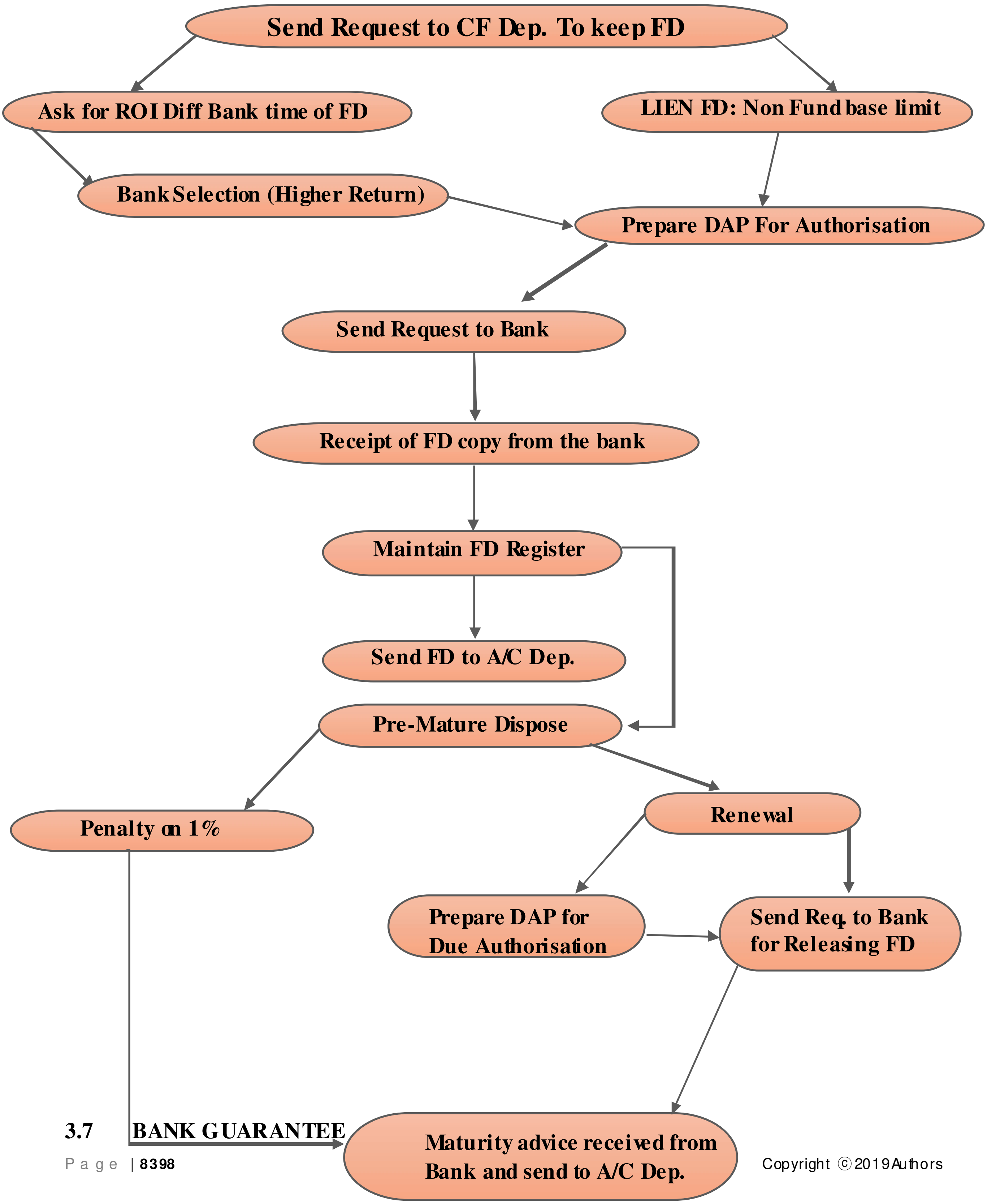

3.7 BANK GUARANTEE

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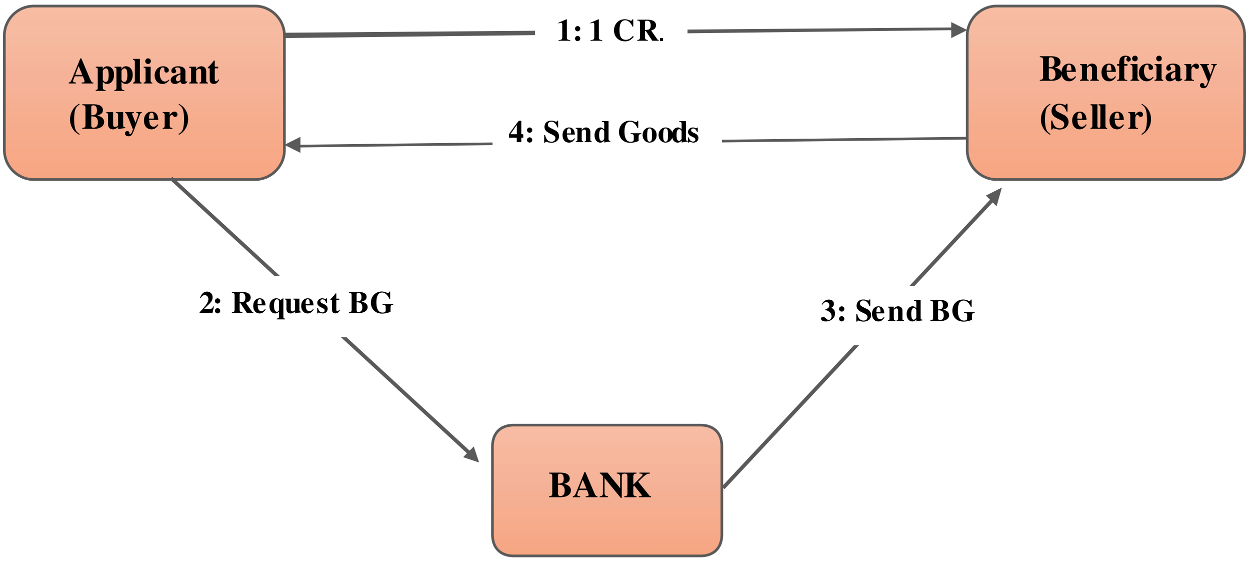
Bank Guarantee (BG) is agreement between three parties. Bank, beneficiary and applicant. The beneficiary is the one to who takes the guarantee and the applicant. BG are important banking adjustment and play a role in promote international and residential trade.



IV. PROFITABILITY RATIOS:

Ratio:- It is the Ratio of total current asset to total Current liability the current ration of a company measurement its Short- term solvency .

1. **Current ratio formula: -** Current ratio = Current asset/Current liability

Table No-1

Year	Current Asset	Current Liability	Current ratio
2019	65,143	109,492	0.50
2018	85,110	101,558	0.83
2017	91705	137591	0.66

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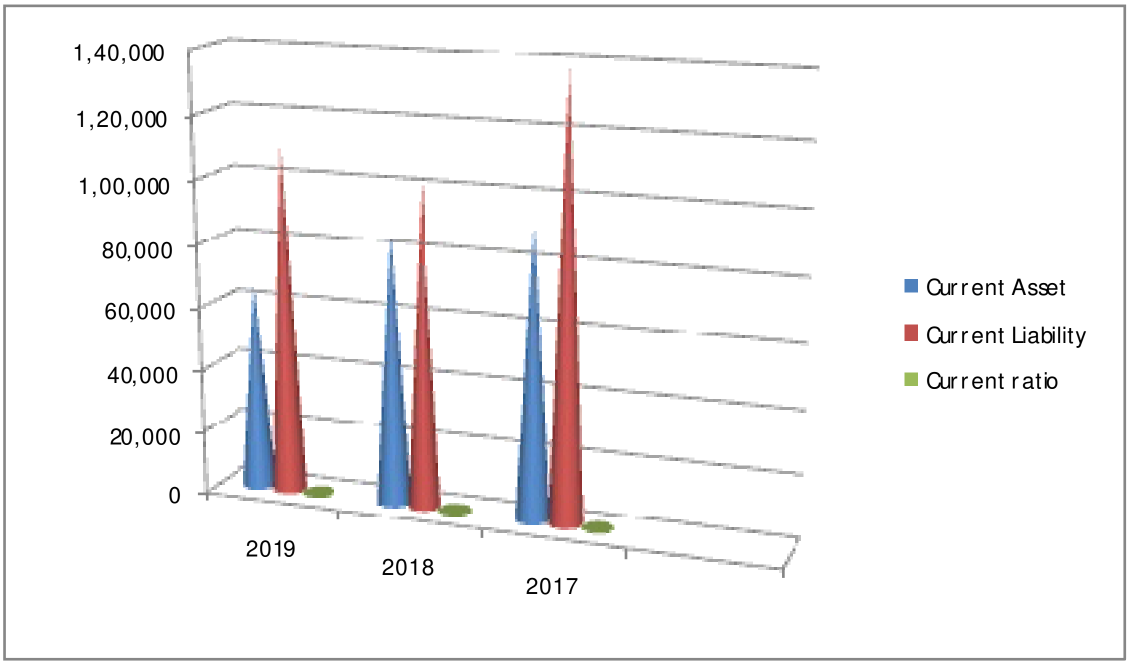
GRAPH NO:-1



Interpretation: -

Companies Current ratio is not better than it is ideal level but if see last 3years Current ratio of Company. It has incise from 2017-19 the Current ratio of organization is close to perfect proportion is detail that organizations liquidity position is vastly improved. Current Assets are more than Current Liabilities

2. Non-Current ratio:-

Non-Current ratio=Non-Current asset/Non-Current liabilities

Table:- 2

Year	Non-current asset	Non-current liability	Current ratio
2019	23,566	64,248	0.36
2018	26096	79215	0.32
2017	29896	52337	0.57

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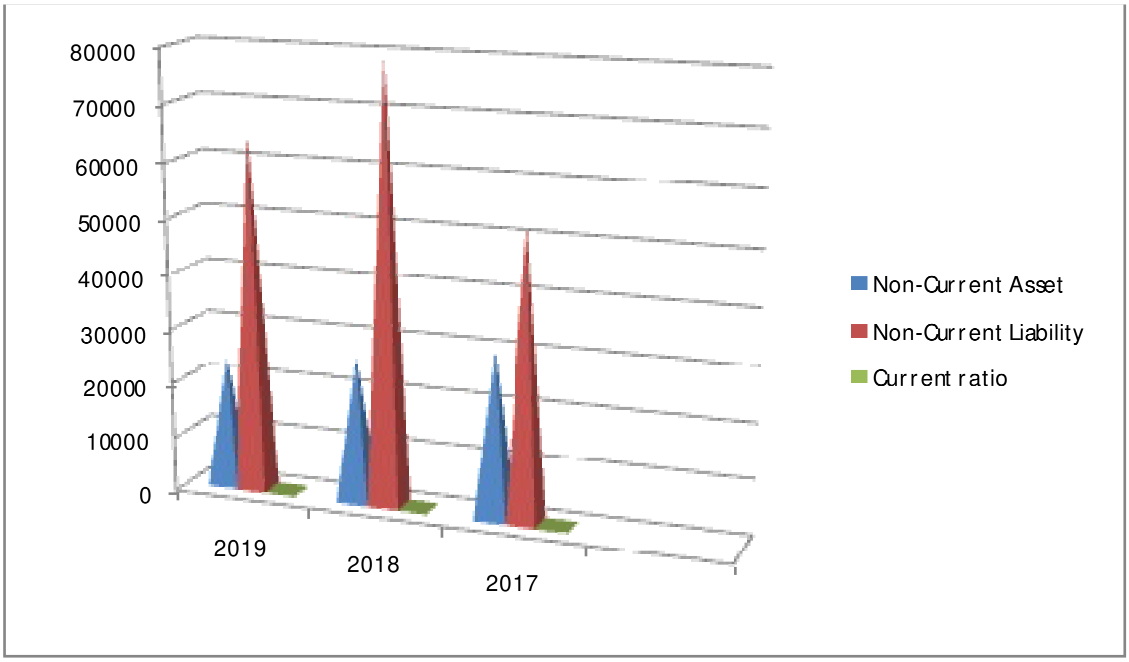
GRAPH NO:-2



Interpretation: -

Companies Non-current ratio is not better than it is ideal level but if see last 3years Non-Current ratio of Company. It has incise from 2017-19. It has incise from 2017-19 the Non-Current ratio of is close to perfect proportion portrays that organizations liquidity position is greatly improved. Its Non-Current Assets are more than Non-Current Liabilities

3. Net Profit Margin ratio:-

Net Profit Margin ratio= Net Income/Revenue

Table:- 3

Year	Net Income	Revenue	Ration
2019	15272	50247	0.30
2018	3928	83338	0.04
2017	9548	127144	0.07

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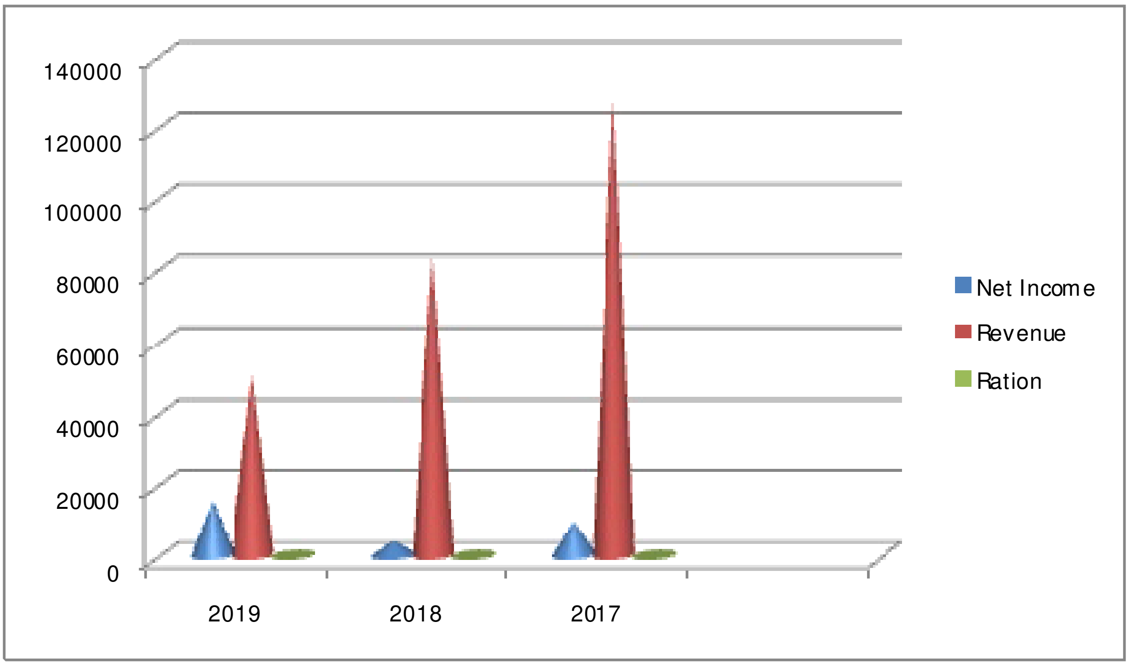
GRAPH NO:-3



Interpretation: -

Net Profit Margin ratio is not better than it is ideal level but if see last 3years Net Profit Margin ratio of Company. It has incise from 2017-19. It has incise from 2017-19 the Net Profit Margin ratio of company is near to ideal ratio depicts that companies liquidity position is much better. Its Revenue are more than Net Income

4. Free cash flow Ratio: -

Free Cash flow Ratio = Cash flow Operation – Capital Expenditure

Table No.

Year	Cash flow Operation	capital Expenditure	Ration
2019	11192	2727.52	8464.48
2018	-8050	5502.26	-13552.26
2017	16088	7410.52	8677.48

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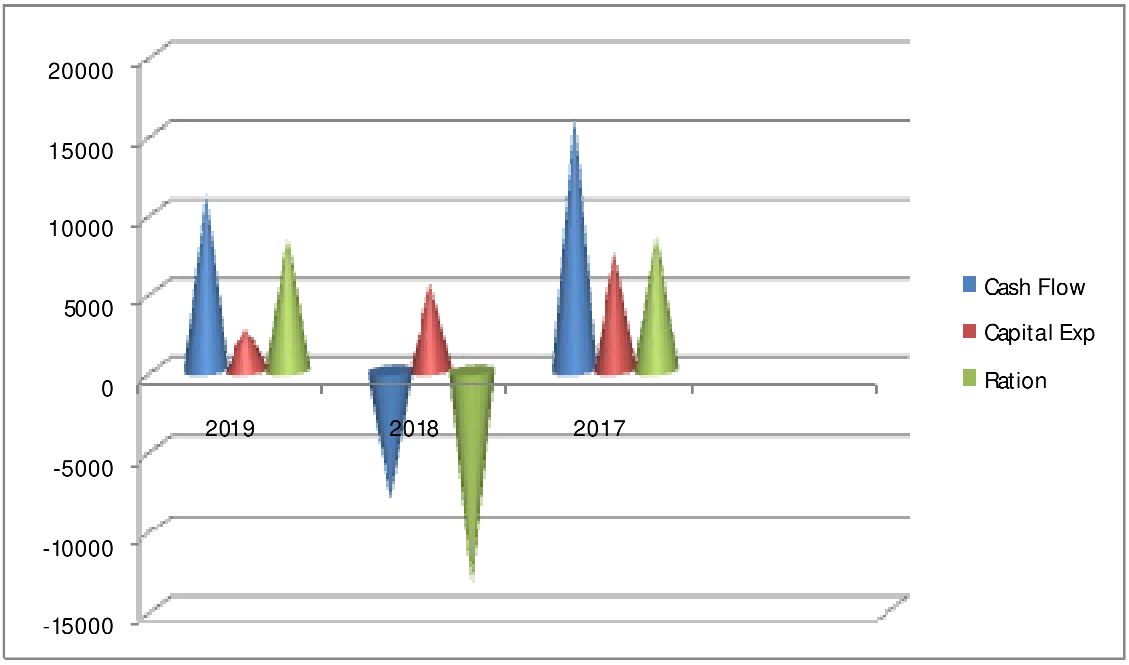
GRAPH NO:-4



Interpretation: -

Free cash flow Ratio is not better than ideal level but if we see the Free cash flow Ratio of company for last 3 years. It has incise and decrease from 2017-19 the Free cash flow Ratioof company is close to perfect proportion is delineates that organization's liquidity position is vastly improved. In that case 2017Cash Flow are more than Capital Expenditure, 2018Capital Expenditure are more than Cash Flow, 2019Cash Flow are more than Capital Expenditure.

5. Interest Coverage Ratio:-

Interest Coverage Ratio= Interest Coverage Ratio= Operation Income/ Interest

Table:- 5

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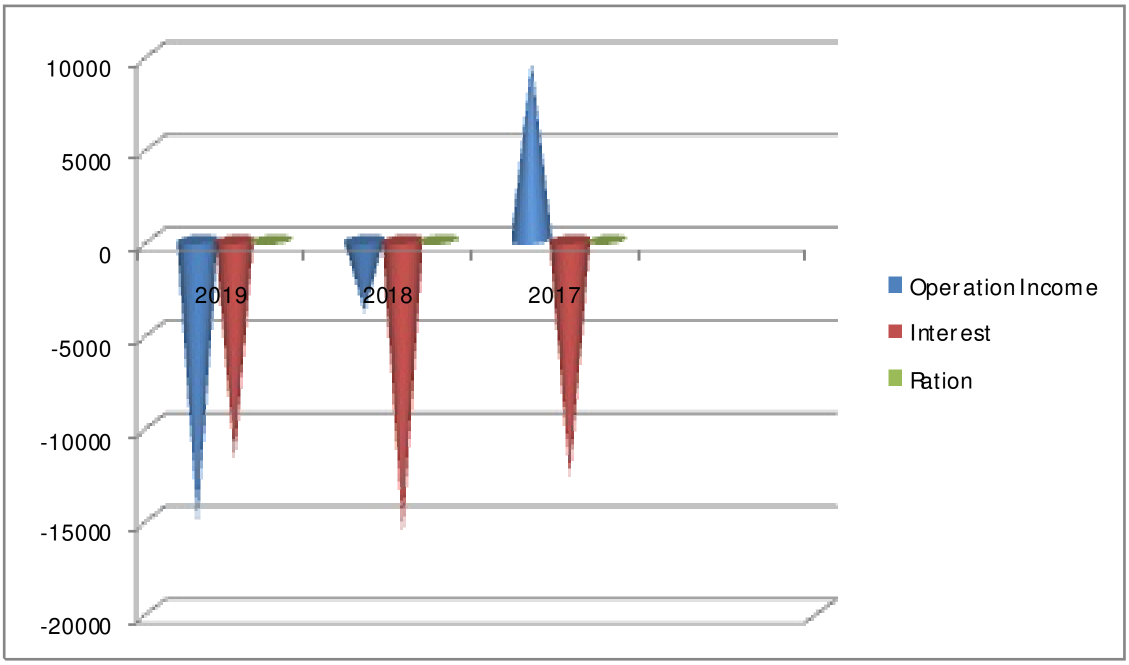
Year	Operation Income	Interest	Ratio
2019	-15272	-12699	1.20
2018	-3928	-15810	0.24
2017	9548	-12876	0.74

GRAPH NO:-5



Interpretation: -

Interest Coverage Ratio is not better than its ideal level but if we seethe Interest Coverage Ratio of company for last three years. It has incise and decrease from 2017-19 the Interest Coverage Ratio of company is near to ideal ratio is depicts that company's liquidity position is vastly improved. In that case 2017Operation Income are more than Interest, 2018Operation Income and Interest both are Loss Or Less, 2019 Operation Income and Interest both are Loss Or Less,

V. FINDINGS

- In 2019Current Ratio is decrease but inpervious year Current ratio is Increase.
- The non Current Assets are decrease in the year 2017-2019.
- Net profit margin is increase in the year 2017-2019.
- Cash flow is 2019 and 2017 are increase and 2018 Cash flow is decrease.

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- Interest coverage ratio of 2017 is increase and 2018 as well as 2019 Interest coverage ratio id decrease.
- The assets are decrease during the period of study.

VI. CONCLUSION:

This internship gave me real time work experience at a corporate organization. I learned the trade finance its instruments procedure and application. Interacting with each employee of the Corporate Finance department, I realized how important it is to be a good listener and an effective team player in order to accomplish ones tasks. The project indirectly help me to learn independent work, developed me, take initiative and ability to solve the problems.

VII. Bibliography:

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