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Broad Overview of Export Policy of Thermax Ltd

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ABSTRACT:

In India, exports and imports are regulated by the Foreign Trade (Development and Regulation) Act, 1992, which replaced the Imports and Exports (Control) Act, 1947, and gave the Government of India enormous powers to control it. It has empowered the Central Government to make provisions for development and regulation of foreign trade by facilitating imports into, and augmenting exports from India and for all matters connected therewith or incidental thereto. As per the provisions of the Act, the Government of India formulates and announces an Export and Import Policy (EXIM Policy) and amends it from time to time. EXIM policy refers to the policy measures adopted by a country with reference to its exports and imports. Such a policy become particularly important in a country like India, where the import and export of items plays a crucial role not just in balancing budgetary targets, but also in the overall economic development of the country.

1. INTRODUCTION

Imports and exports are the two important components of foreign trade. Foreign trade is the exchange of goods and services between the two countries, across their international borders. **'Imports' imply the physical movement of goods into a country from another country in a legal manner.** It refers to the goods that are produced abroad by foreign producers and are used in the domestic economy to cater to the needs of domestic consumers. **Similarly, 'exports' imply the physical movement of goods out of a country in a legal manner.** It refers to the goods that are produced domestically in a country and are used to cater to the needs of the consumers in foreign countries.

Thus, the imports and exports have made the world a local market. The country which is

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purchasing the goods is known as the importing country and the country which is selling the goods is known as the exporting country. The traders involved in such transactions are importers and exporters respectively. To provide domestic consumers with good quality goods and services at internationally competitive prices as well as creating a level playing field for the domestic producers and To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitiveness to meet the requirements of the global markets, Central Government of India taking corrective actions in Foreign Trade Policy.

1.1 NEED FOR THE STUDY

The study focus on the Export Policy of Thermax Limited Company during the specific period based on the selected variables, which may interest not only for the respective companies in the industry but for the process of development of the entire industry. The study is much important to the management from the point of decision making purpose. The purpose of our paper is to further study the Export Policy which is used by the EXIM department of THERMAX LTD in detail and understand the various Export Promotion Schemes under Foreign Trade Policy which benefits the Export policy of Thermax Ltd.

1.2 STATEMENT OF THE PROBLEM

Export is a function of international trade whereby goods produced in one country shipped to another country for trade. The goal of a function is to maximize the export of the country and develop the economy of the country. From the above point of view, the researcher has undertaken an analysis of the Export Policy of Thermax Limited Company to understand how the Export Policy of Thermax Limited plays a crucial role in the growth of the Company.

1.3 OBJECTIVES OF THE STUDY

- To study the Export Policy which is used by the EXIM department of THERMAX LTD in detail.
- To study/understand the various Export Promotion Schemes under Foreign Trade Policy.
- To understand the day to day process in the EXIM department.
- To study the Delays in export order execution of THERMAX LTD.
- To find out the observations and suggestions for THERMAX LTD.

2. METHODOLOGY

2.1 SOURCES OF DATA

While analyzing the topic data is collected from 2 sources such as primary data and secondary data. In Primary Data, It involves face to face interaction with the responsible person of the particular department and the set of questions answered by the employees of the department and In Secondary Data, It consists of Reports & websites of Company,

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reference website, and books.

2.2 PERIOD OF STUDY

The present study covers a period of Six years 2014-15 to 2019-20.

2.3 LIMITATIONS OF THE STUDY

The project only deals with the Export Policy of Thermax and not any other company. The sample size of the questionnaire is limited to the employees of the EXIM department. Reluctances in answering the questions were observed. The information is limited as some confidential details were not disclosed. Time constraints.

3. REVIEW OF LITERATURE

With the implementation of liberalization policies from 1991, initially in trade and industry, and in a phased manner in a number of other sectors including monetary and fiscal policies, a sea change has taken place in the economic and social transformation of the country, and in the integration of the Indian economy with the global environment.

This part covers various reviews relating to India's Foreign Trade Policy i.e., Export Policy.

B.N. Ganguli's (1956)[1] book provides an extremely valuable account of the evolution of economic development in the Asian and Pacific countries in the past century and of India's economic relations with them. This is one of the important works with regard to India's economic relations with Asian countries.

S.J. Patel (1959)[2] made a pioneering attempt to analyze the long term trends in India's foreign trade. He examined the stagnancy of India's exports over the years and explained it in terms of stagnancy and declining world demand for Indian exports. India's trade with the socialist countries of Eastern Europe has been perhaps the most dynamic sector of India's foreign trade during the 1960s. Payment arrangements under trade for its imports from East Europen countries were in nonconvertible rupees. The effectiveness of these arrangements has been analyzed by many scholars such as **Surender Dave,**[3] **Sunanda Sen**[4] **Sumitra Chisti**[5] and **Asha Datar**[6].

Anne Kruger (1961)[7] **and B. Cohen (1964)**[8] felt that stagnation of India's exports has been more due to higher domestic production costs and rising domestic demand leading to higher relative prices of exports in the world market.

Singer (1957) 9, Myrdal (1961)[10]**, and Prebirch (1962),**[11] have argued that international trade if left to market forces leads to deterioration in terms of demand transfer income from the poor nations to the rich nations, and a slower rate of growth of the former.

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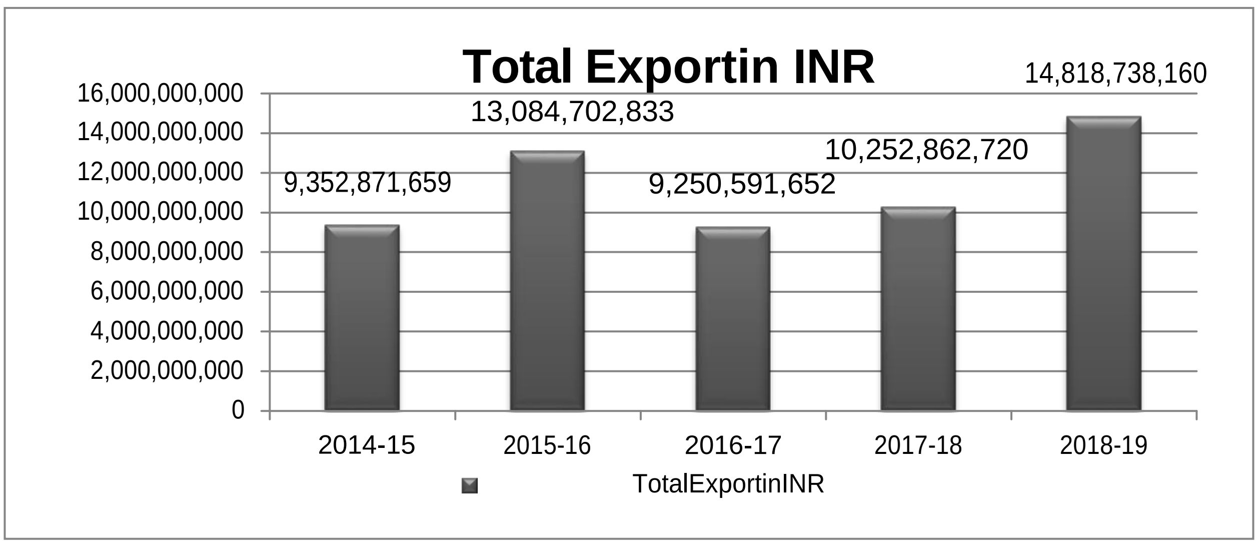
Comprehensive review of literature presented above indicates the wide range of areas that have been covered in various publications, Ph.D. Theses, and articles published in different journals and edited publications

4. DATA

4.1 TOTAL EXPORT BUSINESS COMPARISON FOR 5 YRS

Year	Total Export in INR
2014-15	9,35,28,71,659
2015-16	13,08,47,02,833
2016-17	9,25,05,91,652
2017-18	10,25,28,62,720
2018-19	14,81,87,38,160



INTERPRETATION

As we have seen that there is a rapid growth in year 2015-2016 and 2017-18, and also there was a slight decrease in the year 2014-2015. We compare the exports of 2017-18 and 2018-19 the total export has increased by 4,565,875,440, thus bringing revenue to the company. There is so much fluctuation in the Amounts of Export, reasons for these fluctuations are Order Booking & Performance of the Company, Requirement of Various Boilers, Heaters or Power Plant From other countries.

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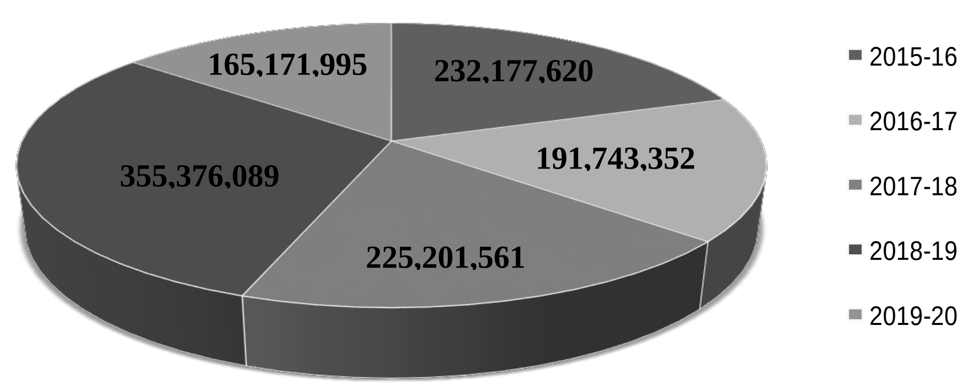
4.2 CONTRIBUTION OF VARIOUS SCHEMES/ INCENTIVES/ EXPORT PROMOTIONAL MEASURES TOTAL MEIS SCHEME BENEFITS COMPARISON FOR FIVE YEARS

Sr. No	Financial Year	Value in INR
1	2015-16	232177620
2	2016-17	191743352
3	2017-18	225201561
4	2018-19	355376089
5	2019-20	165171995
	TOTAL	**1169670617**



TOTAL BENEFITS FROM MEIS = 1,169,670,617…… IN INR

INTERPRETATION

As we have seen In 2018-19 Thermax Ltd. avail more benefits from the MEIS scheme i.e. Rs.355,376,089 and In 2019-20 it is fewer Rs. 165,171,995. The reason behind the variations is the variations in the amount of Export which is in FOB. If the FOB amount is less, the benefit will less and if the FOB amount is more then the benefits will be more. Thermax gets 3% on the Fob value of the export. The total benefit of five years of the MEIS scheme is Rs.1, 169,670,617.

DUTY DRAWBACK

PENDING VALUE IN INR RECEIVED IN 2019-20

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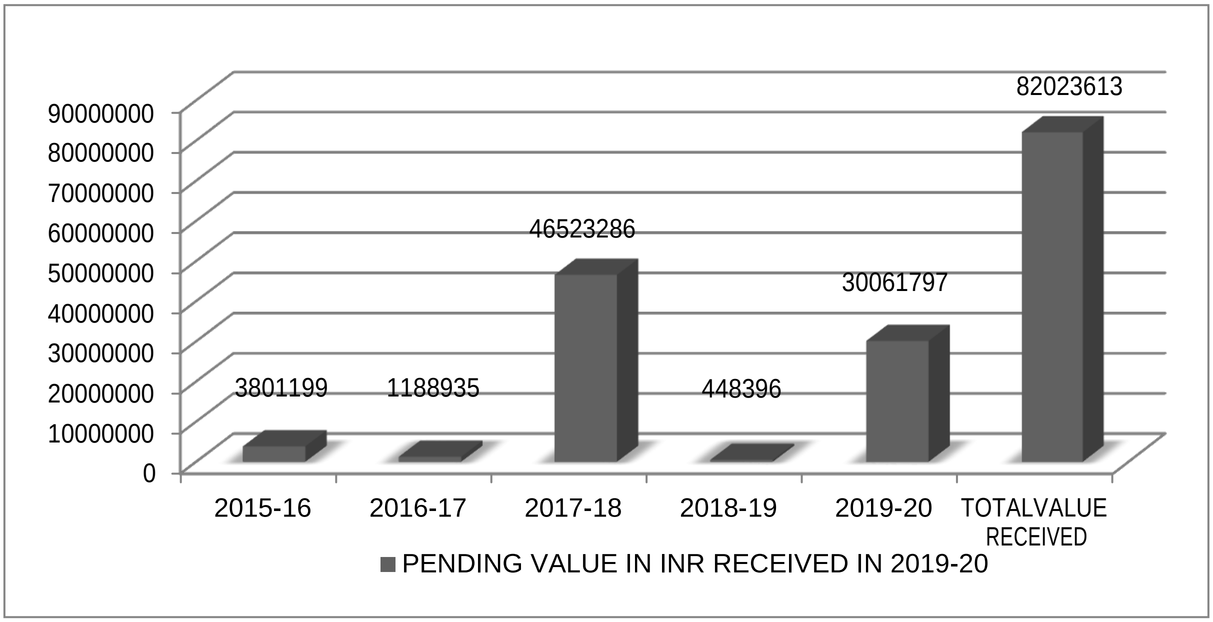
SR NO	FINANCIAL YEAR PENDING	PENDING VALUE IN INR RECEIVED IN 2019-20
1	2015-16	3801199
2	2016-17	1188935
3	2017-18	46523286
4	2018-19	448396
5	2019-20	30061797
	TOTAL VALUE RECEIVED	**82023613**



INTERPRETATION

As we observe that from every year there is a lot of pending amount which is received in the year 2019-20. The total value received in 2019-20 is Rs.82, 023,613. The reason behind the pending amount of Drawback is the process of filing for drawback it is very complicated and requires perfect documentation.

4.3 COUNTRY WISE EXPORT OF 2018-19

COUNTRY	FOV VALUE IN INR	COUNTRY	FOV VALUE IN INR
ARGENTINA	1,121,566	IRAN	45,133,850
AUSTRALIA	61,470,531	ISRAEL	55,627,561
AUSTRIA	6,424,499	ITALY	26,005,857

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BAHRAIN	8,139,441	**IVORY COAST**	**66,960**
BANGLADESH	447,117,634	JAMAICA	872,788
BELGIUM	6,751,000	JAPAN	75,860,197
BRAZIL	31,805,419	JORDAN	6,100,708
BRUNEI	2,410,920	KAZAKHSTAN	19,365,192
BURUNDI	5,005,633	KENYA	145,907,294
CALIFORNIA	2,526,242	KOREA	55,458 ,537
CANADA	35,953,874	KUWAIT	94,333,073
CHILE	1,845,035	LEBANON	29,683,398
CHINA	156,656,010	LITHUANIA	12,356,285
COLOMBIA	49,929,684	MALAWI	12,292,758
COTE D'IVOIRE	448,547	MALAYSIA	109,593,400
CZECH REPUBLIC	4,737,209	MAURITIUS	96,934,979
DENMARK	71,877,735	MOROCCO	39,525,945
DJIBOUTI	187,200	MOZAMBIQUE	13,168,127
DOMINICAN REPUBLIC	470,046	MYANMAR	53,662,438
EGYPT	125,870,905	NAMIBIA	148,495
ETHIOPIA	13,522,065	NEPAL	162,259,166
FINLAND	53,419,270	NETHERLANDS	51,219,840

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FRANCE	8,364,367	NEW ZEALAND	374,962
GABON	6,349,837	NIGERIA	1,642,608,955
GERMANY	158,478,456	NORWAY	594,320
GHANA	4,675,277	OMAN	640,442,596
GUATEMALA	249,482,133	PHILIPPINES	1,026,566,437
HONDURAS	7,292,630	POLAND	3,174,726
HUNGARY	167,942	PORTUGAL	4,719,680
INDONESIA	880,778,372	QATAR	18,504,562
SINGAPORE	11,072,408	RUSSIAN	93,055,448
SOUTH AFRICA	37,456,617	RWANDA	3,872,000
SPAIN	92,530,456	SAUDI ARABIA	1,306,572,515
SRI LANKA	224,823,830	SENEGAL	7,197,109
SWEDEN	13,747,816	TAIWAN	7,499,243
SWITZERLAND	374,814	TANZANIA	1,572,915,675
USA	765,103,071	THAILAND	1,025,920,522
VIETNAM	44,529,619	TUNISIA	11,078,645
YEMEN	1,821,271	TURKEY	36,705,601
ZAMBIA	87,967,073	TURKMENISTAN	143,834
ZIMBABWE	27,290,495	UGANDA	54,492,643
ALGERIA2	2,344,856	**UNITED ARAB EMIRATES**	**2,432,387,706**

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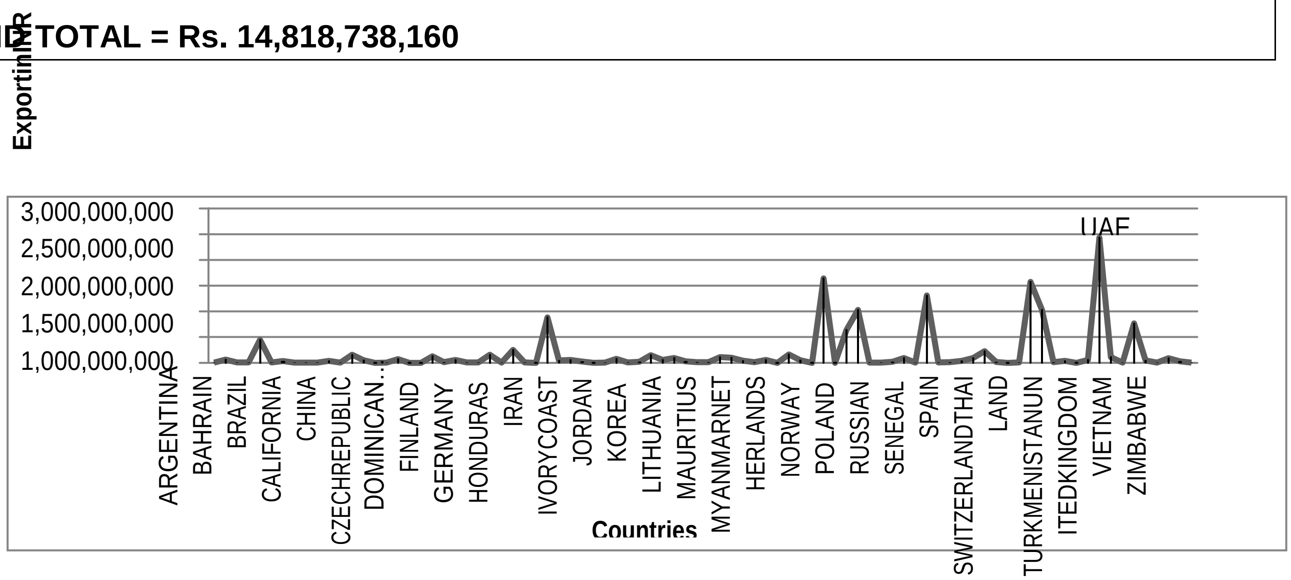
URUGUAY	2,086,500	UNITED KINGDOM	109,905,827
GRAND TOTAL = Rs. 14,818,738,160			



INTERPRETATION

In 2018-19 Thermax Ltd exports goods to 86 countries in which the largest export was with United Arab Emirates of INR 2,432,387,706 and Smallest was with Ivory Coast of INR 66,960.

4.4 POSSIBILITIES OF DELAYS IN EXPORT ORDER EXECUTION

FUNCTION	NUMBER OF EMPLOYEES AGREED
PREPARATION OF SALES ORDER	1
COLLECTION OF ADVANCE	2
RECEIPT OF LC	1
MANUFACTURING	7
LOGISTICS PLAN AND SHIPMENT	3
CUSTOM CLEARANCE	2
PRE-SHIPMENT DOCUMENTS	0
POST-SHIPMENT DOCUMENTS	2
RECEIPT OF PAYMENT	0
OTHERS	2

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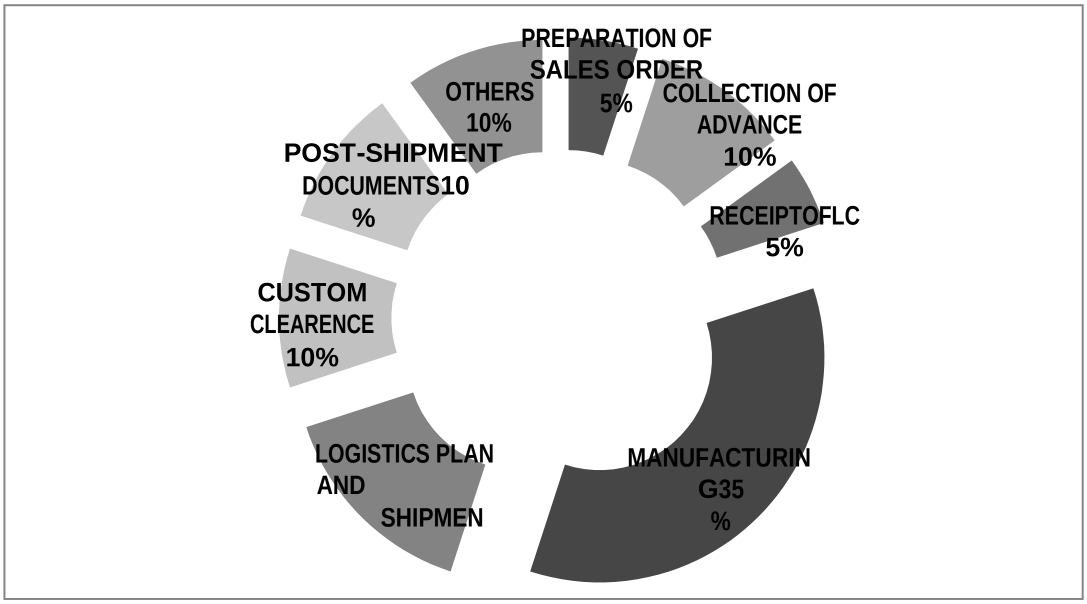

INTERPRETATION

As we observe that because of manufacturing there is a lot of delaying in export order execution. We also observe that a Maximum number of employees agreed with the manufacturing function and the minimum number of employees goes with pre-shipment documents.

5. FINDINGS

- In 2016-17 Thermax exported goods of Rs. 9,250,591,652 which is less than the other years because of that company availed less benefits from Export Promotion Schemes and Incentives.
- There is much amount of Duty Drawback is pending because The process of filing for drawback is complicated and Division takes time to send documents to Exim Department.
- Manufacturing delays were observed to be one of the major reasons for delay in exports
- Delay in logistical functions is also an area of concern
- In Country-wise export of 2018-19, Thermax Ltd. Exports goods to 86 countries, there is a variation in the amount of export to every country. There are some reasons for that like the type of Project they require, or the complex processes for Import –Export in the country.

6. SUGGESTIONS

- Company have to export more to avail benefits i.e., sales and marketing team have to generate and enhance the sales. They can create awareness about the products in the targeted countries by conducting advertising and marketing campaigns from that they

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can gain customers for Export.

- For Duty Drawback and Oththe er Promotional Schemes, One employee should be responsible to have periodic meetings for follow-up with all other departments and divisions. This will reduce the delays in manufacturing as well as in documentation Process to avail the benefits from Export Promotion Schemes.
- Have a better follow-up with the manufacturing department.
- Have a better follow-up with the Logistics department.
- For country wise export try to collect customer's feedback, build good relationships with customers, if they have complex procedure try to understand the procedures and give them tailored assistance.

7. CONCLUSION

In this research work, the Broad Overview Of Export Policy of Thermax Ltd is addressed. In this paper, it is depicted that Thermax Ltd is one of the growing companies with a new foreign trade policy. It was found that the Export Policy of Thermax helps businesses to reduce costs, increasing its sales potential and increasing profits but there is a need to take training for the new Export Promotion Schemes which are changed during the Five years period. Also, there is a need to take corrective actions related to Manufacturing, Logistics, and Delays in Documentations.

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