

# **PROJECT PROFILE**

ON

## **CLEARING AND FORWARDING SERVICE**

Month & Year

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# **CLEARING AND FORWARDING SERVICE**

## **INTRODUCTION**

Clearing & Forwarding services are essential services for importing and exporting. A customs clearing House Agent is a person who is licensed to act as an agent for transaction of any business relating to the entry or departure of conveyances or the import or export of goods at any customs clearing station. Importers and exporters entrust the job of clearing and forwarding to Clearing Agents and as such there is a good scope for clearing & forwarding agency business. The importers and exporters themselves may not have either time or requisite knowledge on their own. As the imports and exports are going up, the business opportunities of clearing and forwarding, being a jobs of technical nature, provide ample scope for new entrants.

## **PRODUCT USES & SPECIFICATIONS**

The main jobs involved in clearing and forwarding are Filing Bill of entry, Shipping Bill, Submitting supporting documents therewith, helping in examination of goods, payments of duty on behalf of the principal, warehousing of goods, removal for warehouse etc.,

Customs House Agents Licensing Regulations 2004 have replaced the 1984 regulations. The regulations provide for licensing, examination, duties of CHA, suspension and cancellation of license. Brief provisions of 'Customs House Agents Licensing Regulations, 2004' are as follows :

- ❖ Who can become a CHA – Following can become CHA –
  - Qualifications if individual - (a) Graduate with professional degree of CA/MBA/LLB/Diploma in Customs Clearance Work from recognized Institute or University with working knowledge of computers and customs procedures
  - (b) Graduate with three years experience in transacting business of CHA work as G-card holder

- (c) Person who has passed examination as per regulation 8, held by Director General of Inspection.
  - (d) Retired Group A officer from Indian Customs and Central Excise service, having minimum of 10 years experience in group 'A'.
- ❖ Qualification if CHA is company or partnership firm – If CHA is partnership firm, its authorised employee should have aforesaid qualification. One qualified person cannot be employee of more than one employer.
- Financial viability – He should be financially sound with assets of value not less than Rs 2 lakhs.
  - Citizenship of India – He should be a citizen of India.
  - Examination – Every applicant must pass examination held by Director General of Inspection within two years.
  - Language – The applicant or employee should possess satisfactory knowledge of English and local knowledge of Customs Station. Knowledge of Hindi will be desirable. Persons deputed to work exclusively in docks need not have knowledge of English.
- ❖ Application for licence as CHA – Applications are invited by Commissioner of Customs of each port every year in January by putting on notice board as well as issue of advertisements. Application should be made in form A. Applicant can be individual, partnership firm or a company. After applying, applicant has to appear for an examination.
- Examination of applicant – Applicants will have to appear for written as well as oral examination conducted by Director General of Inspection under regulation 8. Only those who pass in written examination will be called for oral examination. Maximum period of seven years is allowed to pass written and oral examination. Examination will include questions relating to customs law, procedure and provisions of related Acts.

- ❖ License after passing examination – Applicant will be given CHA license after passing the examination.
  - License will be in form B on payment of fee of Rs 5,000.
  - Once license is obtained, CHA can work in any Customs Station on giving intimation in form C to Commissioner of Customs of that station.
  - Applicant will have to furnish bond and security.
  - License is valid for 10 years but can be renewed.
  - CHA License is not transferable.
  - CHA license cannot be sublet or transferred.
  - Change in directors or constitution of firm should be intimated to Commissioner of Customs.
  
- ❖ Obligations and Duties of CHA – Obligations and duties of CHA are specified in regulation 13 of Customs House Agents Licensing Regulations, 2004.
  - He should transact business only personally or through authorised employee.
  - He should advise clients properly and exercise due diligence.
  - He should inform all details to his clients.
  - He should maintain proper records and accounts.
  - He should discharge duties of CHA with speed and efficiency.
  
- ❖ Employment of persons to assist CHA –
  - The CHA can employ persons to assist him, with approval of Assistant/Deputy Commissioner of Customs.
  - Such a person must be at least 12<sup>th</sup> / Matric passout.
  - He will be given photo-identity card in form H.
  - He can only assist CHA or his authorised employee.
  - The employee then has to pass an examination conducted by Committee of Officers of Customs.

- After passing examination, he will be given photo-identity card in form G.
  - He can then sign declarations on Bill of Entry, Shipping Bill etc.
  - Such employee is under supervision of CHA and the CHA is responsible for all his acts.
  - A person cannot be employee for more than one firm or Company.
  - Only person who has passed the examination can work as authorised employee in Customs station.
  - After 3 years experience as G card holder, he can apply for CHA license or appear for examination held by Director General of Inspection under regulation 8.
- ❖ Renewal of license –
- License to CHA is valid for 10 years.
  - It will be renewed if performance of CHA is satisfactory.
  - Quantity and value of cargo to be cleared should be as specified by Commissioner of Customs.
- ❖ Suspension or revocation of CHA licence –
- License of CHA can be revoked or suspended and security given by him can be forfeited, if (a) CHA fails to comply with conditions of bond or (b) CHA fails to comply with CHA regulations or (c) Misconduct.
- ❖ Temporary Suspension CHA licence pending enquiry –
- Commissioner can suspend the CHA licence for reasons where immediate action is necessary, as per regulation 20(2).
  - Such suspension can be made pending enquiry or where enquiry is contemplated.

## MARKET POTENTIAL

The business potential of a Customs Clearing and Forwarding Agent depends on the increase in volume of Imports and Exports. The Imports to India and Exports from India have been increasing year after year as can be seen from the following.

Year	Imports Rs. Crores	Exports Rs. Crores
1998-99	154176	139752
1999-00	215236	159561
2000-01	230236	159561
2001-02	245199	209018
2002-03	297206	255137
2003-04	359108	293367
2004-05	501065	375340
2005-06	630527	454800
2006-07		
2007-08	1012312	655864
2008-09	1374436	840755

Source: The survey of Indian Industry 2009-10.

With the globalization and liberalization the Imports and Exports are expected to touch new heights with more of Imports of Capital & Consumer goods and exports of other goods from India.

The Clearing Agent has to contact all major and minor importers and exporters through all the Ports and Airports in the state to canvas for services.

## TECHNICAL ASPECTS

### INSTALLED CAPACITY

The proposed installed capacity (per annum) of the unit is given below.

Installed Capacity	Qty, Nos
1. Preparation of Documents (Shipping Bill & Bill of	6000

entry)	
2. Clearance of Shipment (No. of packages)	36000
3. Clearance of Shipment (of packages value-Rs.)	90000000

## OFFICE EQUIPMENTS

The necessary office equipments are available locally.

<b>Equipments</b>	<b>Value (Rs. in lakhs)</b>
Computer	0.48
Telephone	0.12
Fax	0.23
Tables & Chairs	0.58
Tables & Chairs	0.35
<b>TOTAL</b>	<b>1.75</b>

## LAND AND BUILDING

Total area of 500 sq.ft is sufficient, which can be arranged on lease basis. The monthly rent is around at Rs.5000 advance Rs. 50000.

## UTILITIES

**Power:** The unit does not require power and to run the office equipments commercial power connection is sufficient.

**Water:** Water is required for human consumption only.

**Transport:** Transport facilities are required and the site to be selected is to be located near Main Road.

## Manpower

Labour requirement of the unit is estimated as follows.

Proprietor	-1 No	8000	Rs. 8000.00
Receptionists/Admn.Asst	-2 Nos	5000	<u>Rs.10000.00</u>
			<b><u>Rs.18000.00</u></b>
<b>Total salaries per annum</b>			<b>Rs.2.16 lakhs.</b>

## **IMPLEMENTATION SCHEDULE**

If finance can be arranged the project can be implemented within a month's period.

## **ASSUMPTIONS**

- Power charges works out to Rs.2500 per month.
- Wages & Salaries works out to Rs.18000 per month as per breakup given above with annual increase 5%.
- Office Rent is assumed at Rs.3000 per month.
- Telephone charges is assumed at Rs.5000 per month.
- Traveling & Conveyances estimated to Rs.3500 per month.
- Printing & Stationery is assumed at Rs.1200 per month.
- Repairs & Maintenance is assumed at Rs.1200 p.m with annual increase 5%.
- Promotion expenses are assumed at Rs.6000 per month.
- Books & periodicals works out to Rs.1000 per month.



- Miscellaneous expenses works out to Rs.5000 per month.
- Depreciation calculated @ 15% on Office Equipments on WDV method.
- Income tax is provided at 33.22% on taxable income

### 1. COST OF PROJECT

Land & Building-Rental Advance (1000 sq.ft)		0.50
Office Equipments		
- Computer	0.40	
- Telephone	0.10	
- Fax	0.20	
- Tables & Chairs	0.50	
- Tables & Chairs	0.30	1.50
Pre-Operative Expenses		0.30
Margin for Working Capital		0.50
		<b>2.80</b>

### 2. MEANS OF FINANCE

Capital		2.80
Term Loan		0.00
		<b>2.80</b>

Term loan is calculated at 75% on plant and machinery

### 3. COST OF PROFITABILITY STATEMENT

Year	1	2	3
<b>Installed Capacity</b>			
1. Preparation of Documents (Shipping Bill & Bill of entry- Nos)	600	600	600
2. Clearance of Shipment (No. of packages)	15000.00	15000.00	15000.00
3. Clearance of Shipment (of packages value-Rs. lakhs)	600.00	600.00	600.00

<b>Utilisation (%)</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>
<b>Sales Value (Rs. lakhs)</b>	<b><u>8.40</u></b>	<b><u>10.08</u></b>	<b><u>11.76</u></b>
Power	0.24	0.25	0.26
Wages & Salaries	1.68	1.76	1.85
Rent	0.30	0.32	0.33
Telephone Charges	0.60	0.63	0.66
Travelling Conveyance	0.36	0.38	0.40
Printing & Stationary Exp.	0.12	0.13	0.13
Repairs & Maintenance	0.12	0.13	0.13
Depreciation	0.23	0.19	0.16
Promotion Exp.	0.60	0.63	0.66
Books & Periodicals	0.12	0.13	0.13
Miscellaneous Exp.	0.60	0.63	0.66
<b>Total</b>	<b>4.97</b>	<b>5.17</b>	<b>5.39</b>
Profit Before Tax	3.44	4.91	6.37
Provision for Taxes	1.23	1.76	2.29
Profit After Tax	<b>2.20</b>	<b>3.15</b>	<b>4.09</b>
Add: Depreciation	0.23	0.19	0.16
Total Cash Accruals	2.43	3.34	4.25

#### **4. PROFITABILITY RATIOS BASED ON 80%**

<u>Profit after tax</u>	<u>4.09</u>	
Sales	11.76	35%
<u>Profit before Interest &amp; Tax</u>	<u>6.37</u>	
Total Investment	5.60	114%
<u>Profit after Tax</u>	<u>4.09</u>	
Promoters Capital	2.80	146%

#### **5. CALCULATION OF BREAK EVEN LEVEL**

##### **FIXED EXPENSES**

Wages & Salaries	1.85
Repairs & Maintenance	0.13
Depreciation	0.16

Rent	0.33	
Telephone Charges	0.66	
Printing & Stationery	0.13	
	3.27	
Profit Before Tax	6.37	
BREAK-EVEN LEVEL	FE	X 100%
	FE+P	
	34%	Installed capacity