CHAPTER - 7
7. ANALYSIS OF PRIMARY DATA AND MAJOR FINDINGS

To get the correct picture of trade practices between India and CIS countries a survey was undertaken. This survey highlighted the recent trade practices and cleared some of the myths about the two trading partners. For the purpose of survey respondents were chosen from across the trading arena. They ranged from manufacturer exporters to merchant exporters/ importers (Fig. 7.1). The survey was not confined to a particular geographical area but was spread across 4 big Indian cities namely Delhi, Mumbai, Bangalore and Kolkata.

With a view to achieve the composition of supply chain with respect to Transportation and the payment procedures followed in trade between India and CIS, analysis has been done on the following variables. A detailed discussion on these variables is offered in Chapter 4:

1. Custom related issues
2. Availability of Information
3. Modes of payment
4. Dispute settlement
5. Modes of transport

The survey questionnaire was handed over to the trader and he/she was asked to give the objective answers to the questions. This helped in getting an unbiased opinion. In total 57 responses to the survey questionnaire were collected. Below is the profile of people who participated in the survey. A significant portion (54%) of the respondents is from manufacturing/processing exporter whereas only 2% are from importer and freight forwarder.
7.1 General Profile of the Exporters and Importers

The primary survey covered a total sample of 57 respondents in four cities across India namely, Delhi, Kolkata, Mumbai & Bangalore. The major classification of the respondents was done on the basis of activities of the firm as given below:

1. Manufacturing / Processing exporters.
2. Trading / Merchant exporters.
3. Importers (Actual user).
4. CHA’s / Clearing Agents.

Apart from the above mentioned categories, in depth interviews were also conducted with a few players, those who have diversified their business in different domain such as Manufacturing & Merchant Exporter, Manufacturing Exporter & Merchant Importer, Merchant Exporter and Importer (Table 7.1).
A distribution of exporters and importers based on this classification is given below.

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Delhi</th>
<th>Kolkata</th>
<th>Mumbai</th>
<th>Bangalore</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing / Processing Exporter</td>
<td>6</td>
<td>4</td>
<td>16</td>
<td>2</td>
<td>28</td>
</tr>
<tr>
<td>Merchant Exporter</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Importer (Actual User)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Merchant Importer</td>
<td>2</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>CHA’s (Custom House Agent / CA (Clearing Agent)</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing &amp; Merchant Exporter</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Manufacturing Exporter &amp; Merchant Importer</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Merchant Exporter &amp; Importer</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>9</strong></td>
<td><strong>31</strong></td>
<td><strong>2</strong></td>
<td><strong>57</strong></td>
</tr>
</tbody>
</table>

The table (7.2) also provides details about the number of respondents covered in a particular city for each of the categories. It is evident from the table that the maximum number of respondents have been covered in the study are from Mumbai. The reasons perhaps lies in the fact that Mumbai is the major economic and financial hub in the country and Mumbai is one of the nearest for exporting goods to CIS countries.
Consolidated figures of respondents covered during the survey are given below:

<table>
<thead>
<tr>
<th>Type of Firms</th>
<th>Delhi</th>
<th>Kolkata</th>
<th>Mumbai</th>
<th>Bangalore</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Exporter (Exclusive)</td>
<td>9</td>
<td>7</td>
<td>23</td>
<td>2</td>
<td>41</td>
</tr>
<tr>
<td>No. of Importer (Exclusive)</td>
<td>2</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>No. of Exporter cum Importer</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>CHA/Clearing Agent</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>9</strong></td>
<td><strong>31</strong></td>
<td><strong>2</strong></td>
<td><strong>57</strong></td>
</tr>
</tbody>
</table>

The researcher has tried to understand the trade relations of these firms with other countries also apart from CIS. Out of the trading firms covered under survey, more than 70% of them traded with other countries along with trading with CIS, whereas 27% covered for the study trade exclusively with CIS.

7.2 Exporter Turnover and Trade with CIS

1. Classification on the basis of the turnover of the firms.
2. Classification on the basis of the proportion of trade with CIS.

Based on the turnover, the firms were divided into 5 broad categories i.e. less than 5 crore, 5-10 crore, 10-15 crore, 15-20 crore and more than 20 crore. Majority of firm (45%) (Including not disclosed) covered in this study fall under category of more than 20 crore, followed by firms which fall in the 15-20 crore category 20%. There were very few firms, which fall in the category of less than 5 crore (Table 7.3).
The distribution of firms according to their turnover is given below:

<table>
<thead>
<tr>
<th>Size</th>
<th>Delhi</th>
<th>Kolkata</th>
<th>Mumbai</th>
<th>Bangalore</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5 crore</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>5-10 crore</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>10-15 crore</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>15-20 crore</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>&gt;20 crore</td>
<td>6</td>
<td>1</td>
<td>6</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Not disclosed</td>
<td>1</td>
<td>1</td>
<td>12</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15</td>
<td>9</td>
<td>31</td>
<td>2</td>
<td>57</td>
</tr>
</tbody>
</table>

7.3 Classification of firms according to mode of transport.

The below table (7.4) have classified the exporters and importers based on mode of transport they use for trading purpose. It was identified that majority of the firms are trading through sea route. Most of the firms in Mumbai trade through sea route whereas traders in Delhi opted for both air & sea route.

<table>
<thead>
<tr>
<th>Mode of Transport</th>
<th>Delhi</th>
<th>Kolkata</th>
<th>Mumbai</th>
<th>Bangalore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sea</td>
<td>2</td>
<td>4</td>
<td>26</td>
<td>-</td>
</tr>
<tr>
<td>Rail</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Air</td>
<td>1</td>
<td>-</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Sea &amp; Rail</td>
<td>4</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sea &amp; Road</td>
<td>4</td>
<td>-</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Rail &amp; Road</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sea, Rail &amp; Road</td>
<td>4</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
The main points which came out of the data analysis are the following:

**Export of goods to CIS countries**

- 17% of the respondents feel that customs procedures are more complex when exporting to CIS than when exporting to US/UK in similar products.
- More than \(\frac{1}{4}\)th of the traders feel difficulty in understanding codes.
- A large percentage feels custom classification as a problem. As these issue elongate a trade transaction time, they make business people feel distracted from trade.
- 14% of the respondents told that they have problems with rules of origin for exports to CIS.

**Import of goods from CIS countries**

- 22% of the respondents feel that customs procedures are more complex when importing from CIS than when importing from US/UK in similar products.
- Indian customs generally asked for the catalogue of the products, in case categorization is not clear to them.
- Almost one third of the respondents told that customs valuation pose problem for them.
- Importers use industrial tribunals for dispute settlements but still the percentage is very low.

**Analysis of the variables**

**1. Custom related issues**

**Custom procedures:** As it is clear from the pie chart below that a larger percentage of traders do not face problems in custom procedures (Fig.7.2). But still a good percentage feels the other way. Also as the sample size is of 57 people this percentage might increase also. In this situation this is a big hurdle for business
people. Both the countries should reduce the custom procedures for each other or should at least try to make them less complex.

**Fig. 7.2: Custom procedures more complex in CIS**

Custom codes: More than 1/4th of the respondents feel difficulty in understanding codes (Fig.7.3). There should be procedural developments to make these tasks easier for the exporters. This can be done by developing a portal which contains details about each code.

**Fig. 7.3: Difficulty in understanding codes**
Custom classification: A large percentage feels custom classification as a problem (Fig. 7.4). As these issues elongate a trade transaction time, they make business people feel distracted from trade. To improve trade between India and CIS both the countries should try to reduce the complexities in the system and also devise means to educate traders about the same.

![Fig. 7.4: Custom Classification - a problem](image)

Custom valuation: According to respondents who said they faced problems in custom valuation (Fig. 7.5 & Fig. 7.6), custom authorities often state that the declared value is not as per market values so one has to convince them that whatever is written is market value only. Such discrepancies should be removed from the system. Healthy and transparent trade practices should be promoted for long lasting relationships.
Rules of origin certificate: 86% (Fig. 7.7) of the respondents feel that they don’t have problems with rules of origin certificate while exporting and 89% (Fig. 7.8) respondents feel the same in case of imports. Those who find it troublesome refer to it as procedural inefficiency which should be addressed as soon as possible.
2. Availability of Information

Most of the exporters rely on Indian government for the information related to export followed by CIS government (Fig. 7.9). The graph below corroborates the same. This may be due to the inefficient information technology resources used by the governments of CIS countries. Information plays very important role in the success of any business and it should be provided to the traders as and when needed.
Also Indian chamber of commerce plays a vital role in giving information to the exporters. Although in each comparison it was seen that not many exporters are seeking information from CIS country counterparts. This may highlight that trade facilitation for CIS countries is more from India's side than from their counterparts in CIS (Fig. 7.10).

3. **Modes of transport**

It can be seen clearly that every trader in one way or the other is using sea route (Fig. 7.11). As the study has been undertaken for transportation, the budgets for transportation consume large part of investment if the sea route is taken. Also the turnovers for most of the traders are low. In such condition as it has been proved above that land route is very cheap, efforts should be made from both the sides to develop an efficiently working land route.
Some supply chain analysis has been drawn on the basis of survey made in different cities which are given below.

To understand the composition of supply chain between India and CIS with respect to transportation, the export routes for 3 different commodities are being explained as case examples. Export for these commodities originates from different ports of India. Data for these cases have been collected from the traders during the interviews.

**Transportation: Supply Chain Analysis (For a Delhi Exporter).**

**Supply Chain for Meat through Sea:**

The flowchart (7.1) and Map (7.1) show the flow and process of transportation of meat from Meerut (in U.P) India to Bandar Abbas of Iran in a 40' container of quantity 28 MT. The value of the consignment is Rs.14 lakh. The exporter is based at Delhi. Slaughtering, De gland and De boning is done at Meerut after which it reaches the exporter’s cold storage in Mumbai in 72 hrs at a cost of Rs.4/kg. From exporter’s cold storage, after packaging and labeling, the meat is sent to Mumbai port as per demand. This particular activity takes around 8 days. From Mumbai port the meat is sent to Bandar Abbas in 6-7 days. Ocean freight for this consignment is around USD 1800-USD2000 and Custom House Agent (CHA) charges around Rs.12,000/- per container. Total transportation time in this case is around 17-18 days.
Flowchart 7.1: Supply Chain Analysis on transportation for a Delhi based exporter.

Product: Meat
Quantity: 28 MT
Mode: Sea
Value: Rs.14 Lakh

Name of Commodity: Meat
Exporter: Delhi

Actual Cost

Meerut
(Slaughtering, De Gland & De boning is done here)

Rs 4/kg.

72 Hours

Mumbai (Exporter’s Cold Storage)

At cold storage, packaging and labeling is done. Then according to demand it is sent to Mumbai Port

8 days

Mumbai Port

6-7 Days

Bandar Abbas
Map 7.1: Supply Chain Analysis on transportation for a Delhi based exporter

Transportation: Supply Chain Analysis (For a Mumbai Exporter).

Supply Chain for Drugs and Pharmaceuticals by Air:

The flowchart (7.2) and Map (7.2) show the flow and process of transportation of drugs from Mumbai, India to Tehran of Iran by Air. The quantity of the consignment is 2000kg. The value of the consignment is Rs.18 lakhs. The exporter is based at Mumbai. Packaging and labeling along with the insurance of the consignment is done at the exporter’s factory. Transportation costs around Rs.150/- to Rs.200/- per kg include the charges for clearance at the airport. Packaging & labeling takes around 5 hrs and inspection around ½ hr. The transport from factory to Mumbai is covered within a day. Custom clearance & inspection is done at Mumbai airport which is managed by freight forwarder. Air freight charges from Mumbai to Tehran come around Rs.110/- per kg. Customs clearance and inspection takes around 1 day and cooling period also takes around the same time. During cooling period, it can be known whether the consignment is carrying any dangerous products or not. It takes around 2 hrs for the consignment to reach Tehran. Total transportation time taken during shipment was 3 days.
Flowchart 7.2: Supply Chain Analysis on transportation for a Mumbai based exporter

Product: Drugs and Pharmaceuticals
Mode: Air
Quantity: 2000 kg
Value: Rs.18 Lakh

Actual Cost

Exporter: Mumbai

At factory, Packaging & Labeling is done.
Transportation = Rs 150/- to 200/- per kg (includes charges for clearance at the airport.)

Mumbai Airport

At Mumbai airport, custom clearance & inspection is done which is managed by Freight Forwarder.

Customs clearance & inspection = 1 day
*Cooling Period = 1 day

Tehran
Map 7.2: Supply Chain Analysis on transportation for a Mumbai based exporter

Transportation: Supply Chain Analysis (For a Kolkata Exporter).

Supply Chain for Aluminum Sheets through Sea:

The flowchart (7.3) and Map (7.3) show the flow and process of transportation of aluminum sheet from Renukoot (in U.P), India to Bandar Abbas of Iran via Singapore by sea. The quantity of the consignment was 16 MT. The value of the consignment is Rs.21 lakh. The exporter is based at Kolkata. It costs around Rs.30000/- to Rs.35000/- inclusive of loading and transportation charges from Renukoot to Kolkata at exporter’s godown which takes around 4 days. CHA files documents for clearance at around Rs.2500/-. These containers are checked and loaded for around Rs.2000/- to Rs.2500/- for a 20’ container. After appraisal by custom officer, the container goes to Kolkata port. Port charges from the custom warehouse are around Rs.1100/- for public goods and Rs. 2000/- for private goods. Consignment remains there for around 2-3 days depending upon the availability of the feeder vessel. The container then goes to Bandar Abbas via Singapore by ship. This takes around 5-7 days. Transshipment of goods is done at Singapore and then goods move to Bandar Abbas which takes around 12-14 days. Transshipment takes around 1-2 days at Singapore. Total transportation takes place between 24 days to 26 days.
Flowchart 7.3: Supply Chain Analysis on transportation for a Kolkata based exporter

Product: Aluminum Sheets  
Mode: Sea  
Quantity: 16 MT  
Value: Rs.21 Lakh

**Name of Commodity:** Aluminum Sheets  
**Exporter:** Kolkata

**Actual cost**
- Rs 30000/- to 35000/- (Inclusive of loading and transportation charges)

**Time Taken**
- 4 days

- CHA files documents for custom clearance.
  - Charges = Rs 2500/-
- Pick up container from exporter's warehouse in Kolkata to custom warehouse for checking and stuffing the container. Charges = Rs 2000/- to Rs 2500/- (20 ft container)
- After appraisal by custom officer, container goes to Kolkata Port
- Port Charges from the custom warehouse - Rs 1100/- (Public goods)/Rs 2000/- (Private goods) + Terminal Handling charges
  - Public goods means Public Sector Unit (PSU). Rest is private goods.

From Kolkata Port the container goes to Bandar Abbas via Singapore by ship

**Consignment remain there for around 2-3 days depending upon the availability of the feeder**

Transshipment of goods done at Singapore and then the goods move to Bandar Abbas

**Transshipment of goods (1-2 days) at Singapore and then the goods move to Bandar Abbas which takes another 12-14 days**
Map 7.3: Supply Chain Analysis on transportation for a Kolkata based exporter

Major Findings from the Survey:

1. All the traders interviewed are using sea route, partially or for the entire voyage, because land route to most destinations either do not exist or are of poor quality in terms of road and related infrastructure. In case of transportation of products like meat, the commonly used route is Mumbai to Bandar Abbas by Sea. For Aluminum sheet, it is transshipment via Singapore to Bandar Abbas. In both cases containers are reloaded from here on trucks or railway wagons and dispatched to the Iranian port of Anzali on the Caspian Sea. After trans-shipment at Anzali, goods are transported to Russian port Astrakhan through Caspian Sea. From Astrakhan to Moscow or other CIS region goods can be sent by land route.

2. A small section of the respondents are of the opinion that customs procedures are more complex when trading with CIS than when exporting to US/UK in similar products. It was also found that many of the traders feel difficulty in understanding codes. Classification was seen to be one of the major hindering factors, while rules of CIS Origins was also seen an obstacle. Categorization,
submission of catalogue and valuation was seen to be a major problem in case of imports from CIS. As these issues elongate a trade transaction time, they make business people feel distracted from trade. Even though industrial tribunals were used for dispute settlements in import still the response was very low.