

# E.I.D. PARRY LIMITED

TREASURY DEPARTMENT – IMPORT PAYMENT PROCESS

Version:	2
Created on:	May - 21
Reviewed on:	Apr - 22
No of Pages:	11
Creator:	Senthil Kumar
Authorizer:	Sridhar

*A. S. Dew*

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## 1. Import Payment

Import Payment is the payments made to foreign vendors (outside India) for the materials purchased from Abroad. It plays a major role in a Company Forex Exposures. Payment methods will vary based on the relationship and agreement with the vendor.

There are various methods used to make payments to Import Vendors like, Pre-payment, Collection through bank, Open Credit and LC.

## 2. Objectives & Scope

LC Process has been explained in a separate SOP. A clear process of making import payment for Pre-payment, Open Credit and Collection through bank methods have been explained in this SOP.

## 3. Abbreviations and Definitions

### EXPORTER/SUPPLIER/ VENDOR

Exporter is normally the seller and the party who will receive payment for the materials / Goods supplied.

### EXPORTER/VENDOR BANK

The bank where the Exporter is having his account to receive the export collection.

### IMPORTER /RECEIVER / CUSTOMER

Importer is normally the buyer and the party who initiates the request for purchase of material.

### IMPORTER/CUSTOMER BANK BANK

The bank where the Importer is having his account to make the foreign payments for his Import.

### EXCHANGE RATE

The exchange rate is the rate at which one currency will be exchanged for another currency.

### SWIFT

Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardized and reliable environment.

### EEFC ACCOUNT

Exchange earners' foreign currency account (EEFC) is an account maintained in foreign currency with a Bank for collection and payment in foreign currency.

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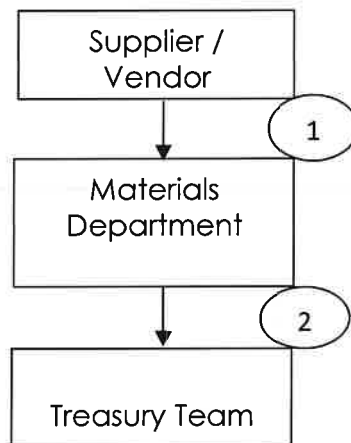
## IDPMS

Import Data Processing and Monitoring System (IDPMS) is an interface between customs and Banks to monitor and regularize the Imports made by the companies in India.

## 4. Flow of Import Payment

### A. Pre-payment

#### Stage 1: Payment Request and Scrutiny of Documents



Step 1: Materials Department confirms all terms and receives Proforma Invoice from the Supplier.

Step 2: Materials Department submits advance payment request to Treasury terms along with PI, PO and CEO Approval.

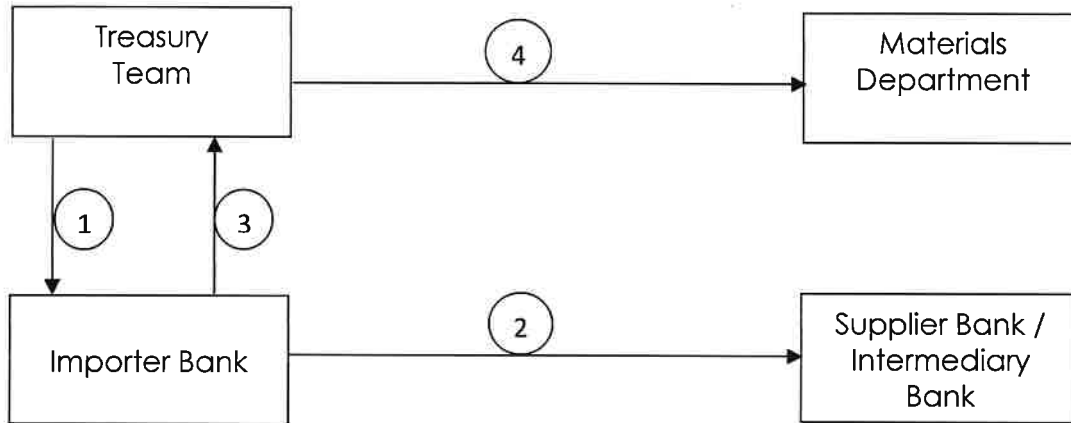
On receipt of documents, Treasury team will check the Payment terms and Supplier bank details in the PI and CEO Approval for Advance payment.

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## Stage 2: Payment from Bank



Step 1: Treasury Team prepares and submit Advance payment Request, FEMA Declaration and Declaration for submission of one set of copy of documents (Invoice, Packing List, Bill of lading and Bill of Entry) after completion of shipment documents to Bank for making the payment (online/offline).

Step 2: On receipt of documents and after scrutiny, the Bank will call Treasury team to avail the exchange rate for the payment. Upon Confirmation of exchange rates the bank will debit the importer's Bank Account and makes the payment.

Note: a. Payment can be made either from EEFC or by availing exchange rate on spot or utilizing the availed forward contract or combination of any of the these.  
b. Exchange rates should be availed by board authorised persons.

Step 3: Treasury team receives Payment Advice along with the copy of SWIFT Message intimation sent to supplier Bank regarding the payment.

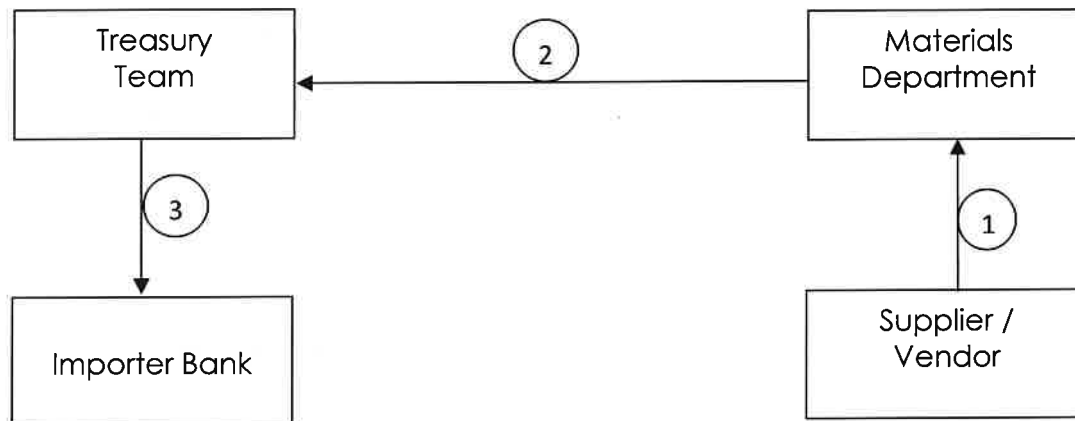
Step 4: Treasury team forward the copy SWIFT Message to Materials team as a proof of payment made.

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## Stage 3: Completion of Transaction



Step 1: Once shipment has been completed, the supplier sent the documents ((Invoice, Packing List, Bill of lading and other set of documents) to Materials Dept.

Step 2: After completion of customs formalities and receipt of Bill of Entry documents, Materials Department will hand over the set of documents (Invoice, Packing List, Bill of lading/Airway Bill and Bill of Entry) to Treasury team.

Step 3: Treasury team will submit the documents (Invoice, Packing List, Bill of lading and Bill of Entry/Airway Bill) along with a covering letter mentioning the Advance payment reference No, Import Bill details, authorization to debit the bank account for bank charges and request to close the Advance Bill Reference No from IDPMS List.

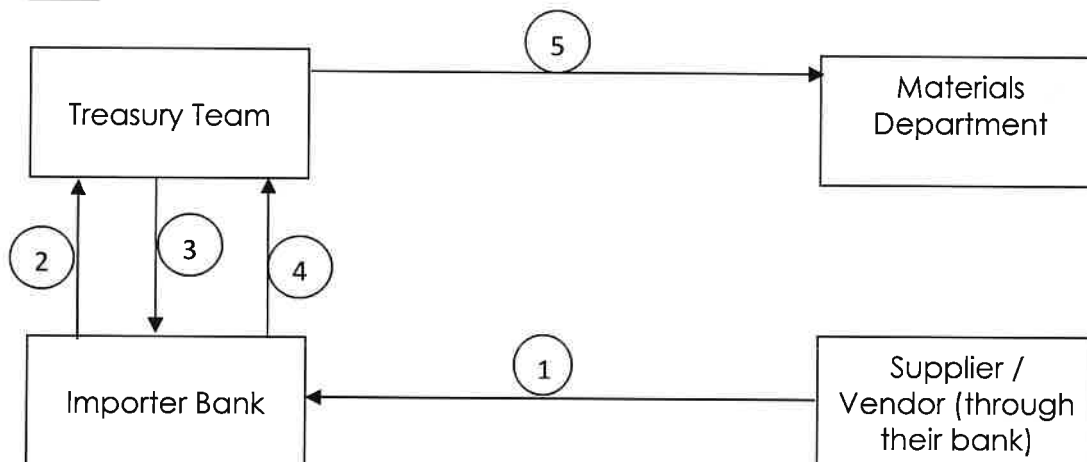
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## B. Collection through Bank

Stage 1: DAN, Document Acceptance and Receipt of Original Documents from Bank



Step 1: Once shipment has been completed, the supplier sent the Original documents (Invoice, Packing List, Bill of lading and other set of documents) to Importer bank through their bank.

Step 2: After the receipt of Documents Importer's Bank sends the Document Arrival Notice (DAN) to Treasury team along with the copy of documents.

Step 3: Treasury team intimate the DAN Details to Materials team and upon receipt of confirmation from Materials team for collection of original documents, Treasury team sends the Document acceptance letter and duly signed Bill of Exchange to Importer Bank (Online/Offline).

Step 4: The Importer bank surrenders the original documents to Treasury team on receipt of the Document acceptance letter and duly signed Bill of Exchange. These documents legally bind to make the payment on the due date mentioned in the acceptance letter.

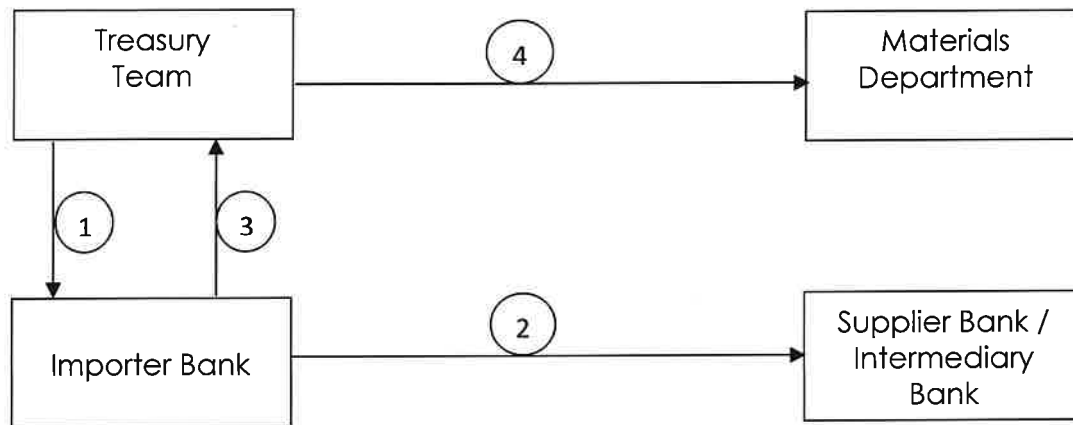
Step 5: On Receipt of Original documents, Treasury team input the details in their internally monitored report which is used for tracking a bill and Import bills due details. After completion of inputting the details the original documents will be handed over to the materials Team.

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### Stage 2: Payment from Bank



Step 1: Treasury team looks for options to avail forward contracts for the underlying documents if it is beneficial for the company or else the Exchange rates will be taken on spot basis on the due date of the payment.

Note: a. Payment can be made either from EEFC or by availing exchange rate on spot or utilizing the availed forward contract or combination of any of the these.  
b. Exchange rates should be availed by board authorised persons.

Step 2: Upon Confirmation of exchange rates the bank will debit the Bank Account and makes the payment.

Step 3: Treasury team received Payment Advice along with the copy of SWIFT Message intimation sent to supplier Bank regarding the payment.

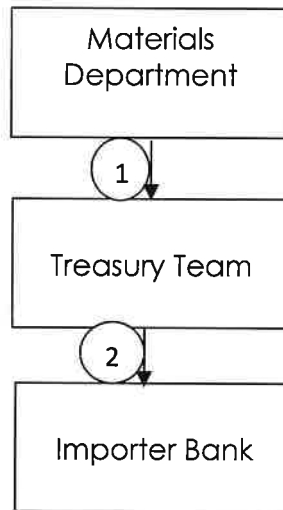
Step 4: Treasury team forward the copy SWIFT Message to Materials team as a proof of payment made.

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## Stage 3: Completion of Transaction



Step 1: After completion of customs formalities and receipt of Bill of Entry documents, Materials Department will hand over the copy of Bill of Entry to Treasury team.

Step 2: Treasury team will submit the copy of Bill of Entry along with a covering letter mentioning the Bill Reference No, Import Bill details and request to close the Bill Reference No from IDPMS List.



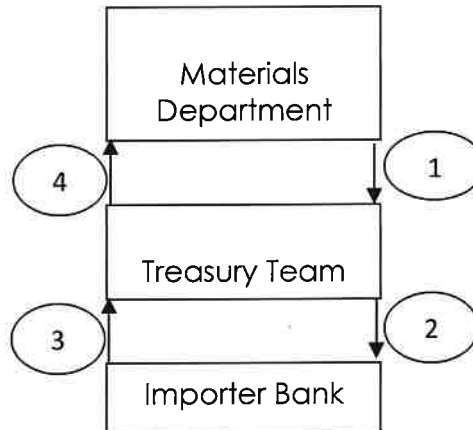
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## C. Open Credit payment

### Stage 1: Payment Request from Materials Team



Step 1: Materials Department updates the details of Open Credit documents and its due dates on RILMOSS. Once the Bill of Entry is received by them, the documents (Invoice, Packing List, Bill of lading and Bill of Entry) will be handed over to Treasury team, along with the request for making payment.

Step 2: Treasury Team prepares and submits Payment Request, FEMA Declaration and copy of Document (Invoice, Packing List, Bill of lading and Bill of Entry) to the Bank for making payment.

On receipt of documents and after scrutiny, the Bank will call Treasury team to avail the exchange rate for the payment. Upon Confirmation of exchange rates the bank will debit the importer's Bank Account and makes the payment.

Note: a. Payment can be made either from EEFC or by availing exchange rate on spot or utilizing the availed forward contract or combination of any of the these.  
b. Exchange rates should be availed by board authorised persons.

Step 3: Treasury team received Payment Advice along with the copy of SWIFT Message intimation sent to supplier Bank regarding the payment.

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## 5. Documents Involved

### Documents to be submitted to bank for Advance Payment

1. Payment Request Letter
2. FEMA Declaration Letter
3. Copy of PI

### Documents to be submitted to bank for Documents Acceptance

1. Acceptance letter to receive the original documents mentioning the Bank Reference No, Amount and Due date.
2. Duly Accepted Bill of Exchange (if given by the supplier through bank)

### Documents to be received from bank after submission Acceptance

1. Original Invoice, PL, Original Transport Document, Certificate of origin and any other document which the buyer prescribes and accepted by the seller like Courier receipt etc

### Documents to be submitted to bank on Payment Due

1. Payment authorisation letter mentioning the account Number to be debited and forward details (if availed).

### Documents to be submitted to bank for Import Regularisation

1. Copy of invoice, Packing list, Transport document and Bill of Entry.
2. Covering letter mentioning these details. (Covering letter needs to be acknowledged by the banker and has to be kept for records)

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## 6. Annexures

### Collection Bills Acceptance Letter Format

#### **HDFC BANK LTD.**

115, Dr.Radhakrishnan Salai  
Mylapore  
Chennai – 600 004

**Kind Attn: Mr. Rojmohan**

Dear Sir,

We enclose the Acceptance for following Bills towards Import of \_\_\_\_\_ received in HDFC on collection basis from \_\_\_\_\_.

Bank Ref No	Inv No	Inv Date	BL No	Amount (USD)	Due on
	<b>Total</b>			\$	

The Accepted Bills of exchange and E-Stamp pertaining to **M/s.** \_\_\_\_\_ are also enclosed for this purpose.

We would authorize you to debit our account on the due date.

Kindly arrange to handover the original documents through the bearer of this letter.

Thanking you

Yours faithfully,

For xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

#### **Authorised Signatories**

Encl: Accepted BoEs and e-stamp Certificates.



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## Open Credit – Payment Request Letter - Format

### Declaration cum Indemnity in case of Import

XX XXXX XXXX

To  
**HDFC Bank Ltd.,  
R.K. Salai,  
Chennai - 600 004.**

Dear Sir/Madam,

- 1) We propose to make the remittance of **USD** \_\_\_\_\_ to your bank in respect of import Payment.
- 2) We state that the captioned remittance is not chargeable to tax in India & accordingly the provisions of section 195 are not applicable.
- 3) We understand that as a Remitter, we are responsible for deduction of applicable taxes on said remittances and we are responsible for furnishing Form 15CA/15CB, as prescribed in Rule 37BB of the Income Tax Rules 1962 or under RBI / FEMA guidelines.
- 4) Since the above remittance is not chargeable to Tax in India, we believe that there is no requirement of furnishing Form 15CA/15CB, as prescribed in Rule 37BB of the Income Tax Rules 1962.
- 5) In case if it is found and held that tax is actually deductible on the amount of remittance and the same has either not been paid at all or is not paid in full, we undertake to pay to the Income Tax Department, the said amount of tax along with interest due and penalty if any.
- 6) We undertake to submit the requisite documents, etc, for enabling the Income Tax authorities to determine the nature and amount of income of the beneficiary of the above remittance as well as documents required for determining our liabilities under the Income Tax Act as a person responsible for the deduction of tax at source;
- 7) We hereby agree to indemnify and keep indemnified M/s. HDFC Bank Ltd saved and harmless against all/any claims, loss, damages, prosecution made or suffered, against/by them due to non-furnishing of Form 15CA/15CB on the basis of this declaration. If HDFC Bank Ltd is required to pay any tax, interest or penalty or fine, we agree to reimburse the same forthwith and the liability in this regard will be borne by us.
- 8) The information given above is true to the best of my / our knowledge and belief and no relevant information has been concealed.

Pan No:

Thanking you,

Yours faithfully,

For **XXXXXXXXXXXXXXXXXXXXXXX**

**Authorised Signatories**

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## Due date Debit Authorization Letter - Format

HDFC BANK LTD.  
115, Dr.Radhakrishnan Salai  
Mylapore  
Chennai – 600 004

Kind Attn: \_\_\_\_\_

**Sub: Payment Debit Authorisation – Reg**

**Ref: Bill Ref No** \_\_\_\_\_

Dear Madam,

With reference to below mentioned Bills of \_\_\_\_\_ amounting to **USD** \_\_\_\_\_ which is falling due on \_\_\_\_\_,

Bank Ref No	Inv No	Inv Date	BL No	Amount (USD)	Due on
	<b>Total</b>			\$	

We would like to inform that we have availed a forward rate for USD \_\_\_\_\_ vide Forward contract Ref No. \_\_\_\_\_.

In this regard, we authorize you to debit our account as follows

Account No	Amount in USD	Account Type
		EEFC
		SPOT
		FWD @ vide FC No:
<b>Total</b>		

We authorize you to debit the relevant bank charges from our Current Account No. \_\_\_\_\_ with you.

Thanking you,  
Yours faithfully,

For **XXXXXXXXXXXXXXXXXX**

**Authorised Signatories**

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## Bill of Entry Submission Letter - Format

### HDFC Bank Ltd

115, Dr. Radhakrishnan Salai  
Trade Finance Department  
Mylapore  
Chennai – 600 004

**Kind Attn: Mr.Rojmohan.N / Ms.Hemavathi.S**

Dear Sir,

### Sub: Submission of Copy of Documents

With reference to advance payment made to supplier \_\_\_\_\_, we are submitting the copy Documents (Invoice, PL, BL and Bill of Entry) for your reference.

Bank Ref No	Inv No	BL No	BL Date	Amount	BoE No	BoE Date

We request you to choose the AD Code as HDFC Bank in IDPMS and close the Bill of Entries at the earliest.

Thanking you,

Yours faithfully,

For xxxxxxxxxxxxxxxxxxxxxx

Authorised Signatory

### Encl:

1. Copy of Invoice \_\_\_\_\_ dt \_\_\_\_\_
2. Copy of Packing List \_\_\_\_\_ dt \_\_\_\_\_
3. Copy of BL \_\_\_\_\_ dt \_\_\_\_\_
4. Copy of Bill of Entry \_\_\_\_\_ dt \_\_\_\_\_