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**For the students of B.Com. IV Semester
Paper: Export Import Procedure & Documentation**

EXPORT HOUSES, TRADING HOUSES, STAR TRADING HOUSES AND SUPERSTAR TRADING HOUSES

Export Houses were first broached in 1958 and started in 1960. The policy regarding them was reviewed several times in the initial years. The initial resolution of September 1, 1962 constituting Export Houses stipulated that they should be specially constituted public limited companies with no shareholder holding more than 10% shares. The business entities were required to promote the exports of non-traditional products to new markets and must have Government auditors and Government nominees in their board of management. The scheme was revised in 1965. Secondly, an annual export performance of Rs 10 lakhs for exports of non-traditional products was a requisite condition for recognition. The export houses were aimed to make available some incentives and facilities to eligible recognized export houses. The attempt was made to strengthen the export houses in order to enable them to negotiate with buyers at international level and to enable them to create and maintain an enduring relationship between them and their supporting manufacturers. It was also felt that they should be helped to fulfill the need to keep their supporting manufacturers supplied with imported raw materials, and to develop strong linkages with their counterparts in overseas markets.

Thereafter, the changes were kept incorporating in the Foreign Trade Policy of the country for export promotion under this initiative. During 1988-93, the eligibility determination of Export House/Trading House Certificate was based on the Net Foreign Exchange Earnings (NFE) from the exports made in the last 3 licensing years termed as the "base period" for providing them grants. The net foreign exchange earnings were taken as the total FOB value of admissible exports and CIF value of imports through the Advance/Imprest Licenses/Import-Export Pass Books. During the LPG reforms, a new scheme, namely Star Trading Houses and Super Star Trading Houses, was introduced for those exporters who were exhibiting an exemplary performance on the export front. This scheme was aimed to register the Star Trading House with a view to grant recognition and to extend facilities to a select band of registered exporters with outstanding export performance. As the importance of the Services Sector was recognized in the country, these were counted towards exports. In addition, emphasis was placed on the diversity of export produces by insistence that not more than 75% must be from some export groups like Engineering Goods, Chemicals and Allied Products, Textiles.

With effect from 1st April 1992, the determination of eligibility criterion for recognition as Export Houses, Trading House or Star Trading House was based on the average annual NFE during the last 3 years or the NFE during the last year, whichever is satisfied. This eligibility condition underwent a modification and from April 1, 1994, the eligibility determination for

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recognition as Export House, Trading House, Star Trading House or Super Star Trading House was allowed to be based either on the FOB value or NFE value.

According to Directorate General of Foreign Trade (DGFT), this scheme was aimed to recognize established exporters as Export House, Trading House, Star Trading House and Super Star Trading House in a view to building marketing infrastructure and expertise needed for export promotion. Such Houses must operate as highly professional and dynamic institutions and work as important instruments of export growth. It has also laid down eligibility requirements for recognition under the scheme. The following are included as beneficiaries under the scheme:

- Merchant as well as Manufacturer exporters
- Service providers
- Export Oriented Units (EOUs)
- Units located in Export Processing Zones (EPZs)
- Units located in Special Economic Zones (SEZs)
- Units located in Electronic Hardware Technology Parks (EHTPs)
- Units located in Software Technology Parks (STPs)

Moreover, the Ministry of Commerce has laid down the guidelines for determining eligibility criterion for such recognition on the basis of the FOB/NFE value of export of goods and services along with the software exports made directly, as well as on the basis of services rendered by the service provider during the last 3 licensing years or the last licensing year, as per the discretion of the exporter. The exports made in free foreign exchange as well as in Indian Rupees, shall be taken into account for the purpose of recognition under the scheme. Secondly, the exports performance by a subsidiary of a limited company is also to be counted towards export performance of the limited company for the purpose of recognition under the scheme. However, in the light of these conditions, the company shall have the majority share holding in the subsidiary company.

To avail the benefits mentioned above, the applicant shall have to achieve the prescribed average export performance in a given period of time. The level of export performance for granting the recognition shall be as per the table below:

Category	Average FOB value during the preceding three licensing years, in Rupees (crores)	FOB value during the preceding licensing year, in Rupees (crores)	Average NFE earnings made during the preceding three licensing years, in Rupees (crores)	NFE earned during the preceding licensing year, in Rupees (crores)
Export House	15	22	12	18
Trading House	75	112	62	90
Star Trading	375	560	312	450

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House				
Super Star Trading House	1125	1680	937	1350

In addition to this, the value of all the licenses with the inclusion of the value of 2.5 times of the DEPB Credit earned/granted as well as the value of duty free gold/silver/platinum taken from nominated agency or from foreign supplier is to be subtracted from the FOB value of exports made by the person for calculating the Net Foreign Exchange earned on exports. However, the value of freely transferable SIL, EPCG licences along with the value of licences surrendered during the validity of license shall not be subtracted.

Beside this, in a view to encouraging participation of State Governments and Union Territories in export promotion, one state corporation nominated by the respective State Government/Union Territory may be recognized as an Export House. In this case, it is not mandatory that the requisite criterion for recognition is met. This benefit shall be available only for a defined period and in line with such terms and conditions as may be laid down & modified from time to time.

As far as validity period of certificate issued under the scheme for the purpose of recognizing the status of export entity is concerned, the Status Certificate shall retain its validity for three years starting from 1st April of the licensing year during which the applicant has applied for the grant of such recognition is made, unless otherwise specified. On the expiry of such certificate, application for renewal of status certificate shall be required to be made within a period in the prescribed format.

Beside this, there are certain terms & conditions laid down separately for manufacturing companies or industrial houses and service providers for recognition under the scheme according the category status. Manufacturing companies or Industrial houses having an yearly manufacturing turnover of Rs.300 crores and Rs. 1,000 crores in the last licensing year shall be recognized as Star Trading House and Super Star Trading House respectively after signing a Memorandum of Understanding (MoU) in the specified format for achieving physical exports which are currently prescribed for the respective categories over a period of next three years. In the same manner, companies or project exporters or domestic service providers having an yearly turnover of Rs. 100 crores or more in the last licensing year are to be recognized as Export House and International Service Export House respectively after signing a Memorandum of Understanding (MoU) in the specified format for achieving physical exports which are currently prescribed for the respective category over a period of next three years. In addition, the service providers shall be permitted to be recognized as Service Export House, International Service Export House, International Star Service Export House, International Super Star Service Export House on earning free foreign exchange in light of the provisions mentioned there in the Foreign Trade Policy of India.

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Additionally, the exporters who have attained Export House, Trading House, Star Trading Houses and Super Star Trading Houses status for three terms or more and still exporting are subject to acquired golden status certificate which would enable them to enjoy the benefits of status certificate irrespective of their actual performance thereafter in line with the guidelines issued regarding this from time to time.