

**Internship Report**  
**on**  
**The Finance & Commercial Operations**  
**of**  
**Sewing Thread Manufacturing Company**  
**(Performed at A&E Bangladesh Ltd.)**

**Supervised by**

**Prof. Dr. Md. Abul Hossain**  
**Coordinator (MBA Program), Uttara Campus**  
**Department of Business Administration**  
**Daffodil International University**

**Prepared by:**

**Shamima Nasrin Jui**  
**ID: 182-14-840**  
**Master of Business Administration (MBA)**  
**Major in Finance**  
**Faculty of Business and Entrepreneurship**  
**Daffodil International University**



**Date: 24<sup>th</sup> December, 2019**

**Internship Report**  
**on**  
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**American & Efird Bangladesh Ltd.**

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## Letter of Transmittal

24<sup>th</sup> December, 2019

Professor Dr. Md. Abul Hossain  
Coordinator (MBA Program)  
Uttara Campus  
Department of Business Administration  
Daffodil International University

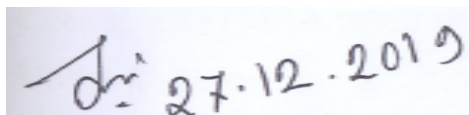
**Subject: Submission of the Internship Report on Commercial Operations of A&E BD. Ltd.**

Dear Sir,

Here is the report of my internship program in American & Efird Bangladesh Ltd. I have truly enjoyed my four months internship program with American & Efird Bangladesh Ltd. and highly appreciate their co-operation in this regard. I tried my level best to show the Finance & Commercial operations of the company, which is mandatory to the theoretical lessons.

I am very much delighted that you have given me the chance to prepare this report. So, I therefore pray and hope would you be kind enough to permit my internship report and oblige thereby.

Sincerely yours,



-----  
(Shamima Nasrin Jui)

ID No: 182-14-840

Master of Business Administration (MBA)

Major in Finance

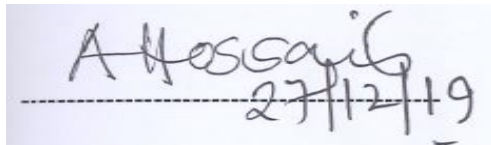
Daffodil International University

## Supervisor's Certification

This is to confirm that analysis paper titled the **Finance & Commercial Operations of Sewing Thread Manufacturing Company (Performed at A&E Bangladesh Ltd.)** Submitted in partial gratification of the requirements for the reward of the degree in MBA of Daffodil International University Bangladesh is a record of the analysis carried out by **Shamima Nasrin Jui, Id. No-182-14-840** under my active supervision and guidance and that no part of this report has been submitted for the award of the degree.

I wish her great success in the future.

Supervisor

A handwritten signature in black ink on a light blue background. The signature reads "A Hossain" and below it, the date "27/12/19" is written. A horizontal dashed line is drawn across the signature.

**(Professor Dr. Md. Abul Hossain)**

Coordinator (MBA program)

Uttara Campus

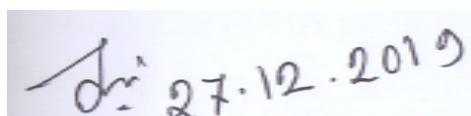
Department of Business Administration

Daffodil International University.

## Declaration

I am **Shamima Nasrin Jui**, student of Daffodil International University Bangladesh, solemnly affirm and hereby assert that the study report “**The Finance & Commercial Operation of Sewing Thread Manufacturing Company (Performed at A&E Bangladesh Ltd.)**” Submitted in partial contentment of the necessities for the award of the degree in Master of Business Administration of Daffodil International University Bangladesh, this is my original work and not succumbed for the reward of any grade, under the extensive supervision and guidance of Rokonzaman Josimi (General Manager-Finance), American & Efird Bangladesh Ltd. and Dr. Md. Abul Hossain Lecturer of Business Administration of Daffodil International University.

Sincerely Yours



-----  
**(Shamima Nasrin Jui)**

ID No: 182-14-840

Master of Business Administration (MBA)

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Daffodil International University

## Preface

In today's world of volatile economy, buying house plays significant role. The economy of Bangladesh is also strongly influenced by the garments sector. So garments must need the competent and skilled employees and other modern facility to cope with the new challenges of globalization .Knowledge has no boundary. This report is a mixture of both theoretical and applied experience. Sometimes only the abstract knowledge is not enough to create career in real world. Practice knowledge is the most important stage of education; it helps a learner to mature ones theoretical idea and be prepared for the application of theoretical knowledge in the real life phenomena. We are given a concrete theoretical base so as to face the problems effectively & efficiently that come into our life. As per requirement of MBA, majoring Finance, each student have to prepare a report to distinctive subject provided by the supervising professor under internship initiative. In different way this study has a personal journey to the root of my educational discipline which has a great role in the present struggle world and I am able to highlight my experience approximately that I learned from my job. In this report, **The Finance & Commercial Operation of Sewing Thread Manufacturing Company (Performed at A&E Bangladesh Ltd.)** mentioned sequentially and tried to find out the positive and negative sides of the operational activities and finally included the supportive recommendation for the buying house that can help to take faster decision in near future. Finally this report must provide the necessary information that can help us to ensure real practice of first growing buying house activities in our country. In fact, Internship program is a practical course that teaches students how to develop and implement their hidden abilities in the personal life and job-oriented sector. However, I believe this report will show about my effort, which I had in preparing this report. I take all responsibilities for any error of commission or omission.



## Acknowledgement

More concentration, hard work, responsibility and study have been intricate in preparing the paper into reality. In preparing a report everyone needs a number assist & direction from dependable sources. This report also views on the hardworking of such hard work. I have inclination to express my gratefulness to the internship and engagement committee for organizing such a program from which I have carried a lot of practical knowledge. I would like to definite my reflective respect to honorable **Professor Dr. Md. Abul Hossain** who is my supervisor, Business Administration DIU, for giving me valuable time and all necessary instruction.

In organizing the report, I received co-operation from the Managing Director, of **American & Efird Bangladesh Ltd.** I genuinely express my heart felt gratefulness to them for their co-operation, which helped me to conduct and complete this report. I extended thanks to the whole employee of **American & Efird Bangladesh Ltd.**

However this report suffers from many shortcomings. Moreover, I have exerted my best effort in arranging this report; I seek vindication for the errors that might have occurred in spite of my best efforts.

-----  
**(Shamima Nasrin Jui)**

ID No: 182-14-840

Master of Business Administration (MBA)

Major in Finance

Daffodil International University.

## **Abstract**

As a part of our program we have to prepare reports in each semester for each subject. In this way, my course teacher has allocated me to prepare the Intern report. And the topic of the report is **“The Finance & Commercial Operation of Sewing Thread Manufacturing Company (Performed at A&E Bangladesh Ltd.)”** A case study on commercial operation of American & Efird Bangladesh Ltd. He took a lecture on preparation of this report and aiding me the required documents. As I have selected a amenity business, my prime object was to collet necessary documents. Again I had to visit the website of the company. My reports involves the emblematic commercial activity practices such as regular operation of L/C imbusement collection and credit controller, Checking all kinds of export documents, performance appraisal LC opening and some other activities of American & Efird Bangladesh Ltd. Business rely is able to answer to engagements between workers and supervision. They are responsible for hiring new employees to replace those who leave and for substantial newly shaped places. The commercial activities have some sort of leaking infect the export section they does not have enough place to maintain the working activity. They need to use an individual photocopy machine & a printer machine but they are not getting this type of facility. The Commercial have some sort of manpower they are maintain financial activity in a **Sewing Thread Manufacturing Company**. Finally, by vigilant guidance, instruction, planning, assisting and coordinating the activities of **Sewing Thread Manufacturing Company** will spread out and help our RMG sector as well as our economy.

## Acronyms

1. **A&E:** American & Efirid Bangladesh Ltd.
2. **P/O:** Purchase Order
3. **PI:** Proforma Invoice
4. **FG:** Finished Goods
5. **L/C:** Letter of Credit
6. **LCMS:** Letter of Credit management System
7. **BGMEA:** Bangladesh Garments Manufacturer & Exporters Association
8. **RMG:** Ready Made Garments
9. **QBC:** Quality Business Culture
10. **EHS:** Environmental, Health and Safety
11. **B2B:** Business to Business
12. **UCP:** The Uniform Customs & Practice
13. **B/L:** Bill of Lading
14. **GDP:** Gross Domestic Product
15. **MFA:** Multi-Fibre Arrangement
16. **VAT:** value-added tax
17. **TIN:** Taxpayer's Identification Number
18. **BIN:** Bank Identification Number
19. **I .R. C:** Import Registration Certificate.
20. **E. R .C:** Export Registration Certificate

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# Chapter One



## Introduction

## 1.1 Introduction



As one of the world's top manufacturers of sewing threads and industrial yarns, A&E's global presence spreads from Asia to Europe. It is not merely the scope of international operations that creates A&E a top company. That difference comes from dedication and commitments to providing our customers with the best products and services, at the best quality, delivered anywhere.

A&E maintains its century-old promise to the customers, manufacturing high quality goods by assumption existing quality principles and follows. These principles have made an environment that restoring individual empowerment and initiative. Such a culture enables us to be a product developer, an inventor of reliable and dependable high quality products, and a company that provides our complete product line to consumers right on time.

## **1.2 Origin of the Study**

Internship for four months in multinational company, government offices, Public Sector Corporation or banks or other financial institutions is an part of the MBA program of the business faculty of the DIU. The objective of the program is to reveal the students in the foundation work condition. Each student had to go through the program and prepare a report rendering to a format provided by the supervision teacher.

As a student of MBA program, it needs an internship of four month part with an organization monitored by writing and compliance of a report. This report is an end result of an Internship supplement with one of the manufacturing company in Bangladesh the American & Efird Bangladesh Ltd. As per the advice and recommendations of the honorable supervisors Professor Dr. Md. Abul Hossain the main focus of the report is manufacturing company of Bangladesh particular reference to commercial work. This report focuses on Commercial activities in American & Efird Bangladesh Ltd. This report will clearly raise the standing idea of Commercial activities concentrated by the American & Efird Bangladesh Ltd.

## **1.3 Scope of the Study**

The Scope of the report is international Trade Payment whereby it focuses mainly on Letter of Credit. To Deal with issue Letter of Credit the report covered different aspects of American & Efird Bangladesh Ltd. The report covered the following area and issues:

- i. Overview of the company
- ii. Selling Process of A&E
- iii. Marketing Strategy of A&E
- iv. Benefits of the L/C
- v. Operations of the L/C
- vi. Documents under L/C



## **1.4 Objectives of the Report**

The objective of the Internship report is to increase practical familiarity about the overall business activities of different division in the American & Efirid Bangladesh Ltd with special consideration to the Commercial activities of the company. The purposes of the report are as follows:

- i. To combine theoretical knowledge with practical knowledge.
- ii. To reveal the commercial operation of A&E
- iii. To evaluate the commercial activities.
- iv. To identify the problems of the Commercial departments of A&E Bangladesh Ltd.
- v. To give some recommendations regarding the problems identified.

## **1.5 Methodology of the Study**

In this study, practical research was undertaken to gain acumens and considerate overall sewing thread manufacturing company and its commercial and production process.

## **1.6 Limitations of the Study**

- i. The main constrain of the study was insufficiency of information. Since Finance & Commercial department of A&E is very confidential I could not provide all necessary information.
- ii. Confidentiality of data was another important obstacle that was confronted during the demeanour of this study.
- iii. Company started its operation for 11 years only, so large amount of data can't be analyzed here.
- iv. BGMEA only responsible body to hold proper information about thread marketing but unfortunately their arrangement and information level is not up-to-date and organized regarding the mater.

# **Chapter Two**



## **Overview of A&E Bangladesh Ltd.**

# **Overview of A&E Bangladesh Ltd.**

## **2.1 Industry Overview**

### **Overview of Sewing Thread Manufacturing Industry in Bangladesh**

Sewing Thread is the output product of yarn manufacturing industry, mostly known as spinning industry. In fact it is a backward linkage industry of Ready Made Garments (RMG) industry. The RMG industry is highly globalized industries because of its low technology and labor-intensiveness. This industry voyages from high-wage to low-wage countries “flying goose”. Some slowdown in this sector will slow the economic progress of Bangladesh. The recent changes in global environment had adversely affected the RMG industry in Bangladesh. The nature of competitions has changed. As yarn is a fundamental raw material of garments industry so any beneficial findings on polyester yarn marketing could play a positive role in RMG industry. The future of this industry is now threatened by a number of factors. The phasing out of MFA has become a matter of concern. Bangladesh is struggling to formulate strategies that will enable the country to retain its good position in the global export market of readymade garments during the post MFA era. So an attempt to study on the above-mentioned topic is a very important topic in present situation.

Sewing Thread is the prime accessories for garments industry. The quality of the finished apparel is partially depends on the quality of Sewing Thread. So Sewing Thread marketing plays a vital role in the garments business fields. Bangladesh had a magnificent past in the field of production of quality cloths. Its muslin was once reflected as the finest fabrics in the world. Export concerned with knitwear and ready-made garment (RMG) industry with their phenomenal expansion is a big success story of Bangladesh. It is the largest manufacturing sector subsidizing about 5% to our total GDP and around 67% of total export earning of country. From the modest beginning in 1978 as an insignificant in significant non-traditional items on export facing only US\$6.4 m in 1981, garments sectors of Bangladesh has Now became a US\$2.0 billion foreign exchange earner enjoining the status of fifth largest garments exporters to both USA ,and EU.

However, total thread demand of the country's export oriented industries in 2016-2017 was around 20.2 million cones per dozen. Out of this only 70-75% our local producers supplied thread and rest of the quantity was imported from abroad. The demand of 100% polyester yarn for RMG industry is growing up. There are lots of 100% polyester yarns manufacturing companies in Bangladesh. Among them Coats Bangladesh Ltd., A & E Bangladesh Ltd. Dhaka Beijing, Unlima Yarn, K.D.S., Well thread, B.H.T., Apex Thread, Etafil Thread etc. are the major competitors in the thread manufacturing market. So it is required effective marketing plan for fight with competitors in thread market. So, by studying the market demand of thread manufacturing I think that it is possible by someone to play an important role in thread marketing. As Bangladesh has been entered into the global market and our garments industries now in front of a great challenges and opportunity so we must have to analyze the situation with a great prudent. In the meantime our competitors has been reorganize themselves with this changing business environment so there is no better alternative in front of Bangladesh to take the decision so that these industries can survive in this competition. Either our economic and social stability must be fallen down into a deep frustration.

## **2.2 History of A&E Bangladesh Ltd.**

A&E has been in the textile business for more than 120 years, living despairs, technological disruptions, and numerous other challenges to remain one of the world's largest manufacturers and suppliers of industrial sewing thread, embroidery thread and technical textiles. A&E began in 1891, on what was known as Dutchman's Creek. Charles Egbert Hutchison launched Nims Manufacturing Company with six investors. The company was popular and in 1920 was merged, with other textile mills, into a new corporation known as American Yarn and Processing Company. In 1947, the company bought controlling interest in the Efird Manufacturing Company, located in Albemarle, NC, and founded by J.S. Efird. After the completion of the merger between American Yarn Processing and Efird Manufacturing in 1952, the company name changed to American & Efird® Mills, Inc. In 1968, the diversified interests of R. S.

Dickson combined to form the Ruddick Corporation, a holding company, which became A&E's parent company. Under this affiliation, A&E continued to grow, expanding across the country and world.

Since the days of water wheels in the 1890's, A&E has greatly expanded its global facilities, maintaining pace through technological improvements. A&E was the first textile company in North Carolina to digitally match colors, automate the doffing system on spinning frames, and computerize dye machines. As part of the KPS Capital Partners portfolio, American & Efirid LLC stands ready to meet future challenges and continue to assist the needs of the industrial sewing thread, technical textile and embroidery thread marketplaces.

### **Corporate Information**

Currently, the A&E global supply network has 31 manufacturing centers and 76 distribution points located within 41 countries. In recent years, A&E has amplified its global product contributions through the attainments of Ludlow®, Robison-Anton® and Synthetic Thread, well known manufacturing companies of quality industrial sewing thread, technical textiles and embroidery yarns and thread. A&E continues to bring into line itself with industry frontrunners such as India's Vardhman Threads.



## **2.3 Objectives of A&E Bangladesh Ltd.**

- i. The main objective of the company is to earn revenue.
- ii. To create employment opportunity
- iii. To achieve social responsibilities
- iv. To deliver quality product to the customers on time.
- v. To produce sustainable product to make our environment safe & healthy.

## **2.4 A&E Company Vision**

A&E will achieve worldwide, chosen supplier position in each product line by:

1. Supplying superior quality products, services and importance to our Customers.
2. Practicing Quality Business Culture (QBC) throughout the company. A&E's QBC is defined as ample.
3. Collection of practices and processes driven by customer needs, focused on process improvement, led by.
4. Management with acquaintance participation.
5. Being renowned as a leader by our Customers, Companions, Suppliers and Community in our contributions to Society and the environment over A&E's continuing global promise to sustainability.

## **2.5 A&E Company Mission**

To be the chosen global supplier of Industrial Sewing Thread, Embroidery Thread and Technical Textiles by providing World-Class quality products and services to our Customers.

## **2.6 Quality Policy**

A&E is dedicated to providing World-Class quality products and services that meet or surpass Customer necessities. World-Class quality is reached through continuous improvement of procedures and is defined as being on-target with insignificant distinction.

## 2.7 Products of A&E

- i. Perma Spun-100% Polyester, Staple Spun Sewing Threads
- ii. Anelock-Fusible, Nylon Sewing Thread
- iii. Signature Plus-100% Bright, Trilobal Polyester
- iv. Anecot-100% Short Staple, Spun Cotton Sewing Thread
- v. PermaCore-Poly-Wrapped,Poly-Core Sewing Thread
- vi. Perma Spun Extreme- Polyester Staple Spun thread Enhanced for Colour Quality
- vii. D core-Cotton-Wrapped,Poly-Core Sewing Thread
- viii. Aneflex-High Elongation, PBT Sewing Thread
- ix. Anesoft-Ultra-Soft, Textured Polyester Sewing Thread
- x. Magic- 100% Polyester, Air-Entangled Sewing Thread
- xi. Best Stretch- High Bulk,Textured Nylon Sewing Thread
- xii. Wildcat Plus-High Performance, Textured Polyester Sewing Thread
- xiii. D-Core RFD-Ready-for-Dye-Cotton-Wrapped,Poly-Core Sewing Thread
- xiv. D-Core Indigo-Indigo-Dyed, Cotton-Wrapped,Poly-Core Sewing Thread
- xv. Anecot Plus-100% Long Staple, Spun Cotton Sewing Thread
- xvi. Anecot Organic-100% Organic, Long Staple, Spun Cotton Sewing Thread

# Chapter Three



# Marketing Strategy



# Marketing Strategy

## 3.1 Introduction

After developing the product A & E has to think how it can sell the products to the potential buyers. Many activities have to furnish to make a successful selling. A & E considers the below things for marketing.

## 3.2 Product Selection

This is the prime job for A & E. The product of yarn manufacturing industry is spanned “Yarn”. Its potential buyers are export oriented knit and woven garments that supplies garments to the foreign buyer. So, first, it clears that what will be the product character. The following major things consider during taking manufacturing decision of yarn:

- Count of yarn.
- Quality of yarn i.e. yarn strength, CV of count, imperfection, hairiness etc.
- Type of raw material used.
- Purpose of end use of the product.

## 3.3 Price of the Production

Pricing is the value that buyers exchange for a product in the marketing transaction. Before establishing prices, A & E decides its pricing objectives. For export market, thread is being sold by L/C and currency is US dollar. However, the market is open and pricing has been fixed on cost-oriented- pricing strategy.

## 3.4 Channel of Distribution:

Depending on the needs of the target market A & E utilizes many different types of marketing channels to distribute products. Generally channels for product are different from channel for consumer product. Marketing channels of A & E:

- A. Producer —> Industrial users or garments owner
- B. Producer —> Buying house —> Industrial users or garments owner.

### 3.5 Promotional Activities:

The communication of promising, convincing info about a firm or product in order to impact latent buyers is called promotion. For promotion A & E uses advertising, personal selling, sales promotion and publicity.



### 3.6 Procurement

Various types of procurements are involved in yarn manufacturing industry. Most of the buying responsibility is on marketing people. Some major area of procurements of A & E is as below:

- Purchasing of raw materials i.e. raw yarn purchasing from abroad.
- Purchasing of machineries and parts of machineries.
- Generators parts and fuels purchasing. .
- Purchasing of various tools and materials for workshop.
- Purchasing of yarn packaging and carton making materials.
- Maintain satisfactory inventory level in store of factory .etc.
- Purchasing of chemical and dye staff.

# Chapter Four



## Trading Policy of A&E

# Trading Policy of A&E

## 4.1 Selling process of A & E

The selling process is the series of steps monitored by an account manager while selling a product. Selling Process is a comprehensive phase which starts from classifying the customers to closing the covenant with them. It is more relevant in B2B business sales where the sales cycle is not short and might take a longer duration to close.

### The selling process of A&E includes:

- **Notification:** First of all, there comes a notification from customers, and then sales manager and CS manager visit the customer. Every sales manager deals with their required customer.
- **Negotiation:** after notification, sales manager take order from the customer by product sample, color etc. and set the price after price negotiation.
- **Order entry:** After negotiation, there will be order entry and creating invoice named pro forma Invoice, it's not commercial invoice which is send to the customer.
- **Booking/ P/O:** After order entry, customer sends P/O to our company.
- **LC Open:** Customer opens LC at BANK. LC can be 80% or 90% etc. of total sale.
- **Product Delivery:** Then we delivered the product to the customer.
- **Delivery Challan:** Customer received the products and we gave the delivery challan.
- **Commercial Invoice:** After goods delivery, we give customer the commercial invoice.
- As per LC terms there will be a document and customer accept that document, receipt and submit to the **CBC (COMMERCIAL BANK OF CEYLON)/SCB (STANDARD CHARTERED BANK)**.
- Then A&E receives the final payment of their product from their customer in the sales with LC.

## **4.2 The Main Sales Process**

A&E Bangladesh Ltd. has four core departments for running the business. These departments are Sales & Marketing, Supply chain and Finance. These departments are directly involved in business process. The total business process is unified one another's work. So we can see the total business procedure of A&E.

### **4.2.1 Price Negotiation**

The persistence of the negotiations is to fix a price that is standard to both parties. Upon the conclusion of negotiations, both a deal is reached and the product sold or no sale.

### **4.2.2 Purchase order**

A purchase order (PO) is a written sales agreement between the buyer and seller specifying the exact merchandise or services to. It will require payment terms, delivery dates, item documentation, amounts, delivery terms and all other responsibilities and situations.

### **4.2.3 PROFORMA INVOICE (PI)**

After order entry a PI sent to Customer. In this PI all information included. Merchandiser name, Order reference, Order number, Quantity, Value must be mentioned in this PI. There are some Terms & Conditions in this PI. Invoice value must be paid at 90 days sight from the date of delivery in US\$ by confirmed irrevocable L/C opened on the

- 1 : Commercial Bank of Ceylon PLC;
- 2 : Standard Chartered Bank

### **4.2.4 Delivery to customer warehouse & Insurance of delivery notes**

After receiving the goods by the customers, a document associated a shipment of goods that lists the depiction and quantity of the goods supplied. A copy of the delivery note, signed by the buyer or consignee, is returned to the seller or consignor as a proof of delivery.

#### 4.2.5 LCMS (Letter of Credit Management System):

After receiving L/C from Bank it had to be entered into A&E's LCMS system. There are some requirements that need to be filled. Such as LC number, L/C value, Applicant Name, Issuing date, L/C expiry date, PI number, Advising Bank, Terms, Bank address, Applicant address, Master L/C Number, IRC, BIN Number, TIN Number, E.R.C No. I.R.C No. VAT No.

Below showing LCMS of A&E.

The screenshot displays the A&E LCMS system interface. At the top left is the A&E logo with the tagline 'We're Doing Better'. The user's name 'Shamima Nasrin Jui' is shown in the top right corner. The main interface is divided into three sections:

- LC ENTRY:** This section contains input fields for LC NUMBER, CUSTOMER, A&E BANK (a dropdown menu), LC TERMS, LC DATE, LC VALUE, LC EXP DATE, and LC SIGHT (a dropdown menu). There are buttons for 'Save Data', 'Search LC', and 'Refresh'. A 'create' link is visible at the bottom left of this section.
- DETAILS:** This section includes a 'DELETE LC' button and an 'AMENDMENT' button. It features a table with columns for Number, Value, Exp\_Dat, and Terms. The table has three rows for MLC1, MLC2, and MLC3, each with corresponding MDAT and Sights fields. An 'Add' button is located below the table. Summary statistics show 'total LC val = NaN' and 'total AMN val = 0.00'. There are checkboxes for 'LC PI' (checked) and 'Amendment PI'. At the bottom, there are fields for 'A&E BO-' and 'BILL' with 'PI Add' and 'Bill Add' buttons. The 'Total PI Value' is shown as 0.00.
- ADDITIONAL INFORMATION:** This section contains fields for BANK, ADDRESS\_1, ADDRESS\_2, ADDRESS\_3, and APPLICANT (with a 'Get' button). It also includes fields for ADDRESS, MST\_SCI/LC\_1 through MST\_SCI/LC\_4, each with a 'Date' field. There are fields for EXP\_NO, A.D'S CODE, Serial No., and Serial Year. A 'Discrepancy\_Charge' field is highlighted in red. An 'Optional\_1' field is at the bottom.

# Chapter Five



## Commercial Operations

# Commercial Operations

## 5.1 Introduction:

A **letter of credit** or L/C is a document that provides guarantees the buyer's payment to the sellers. It is issued by the bank and ensures on time payment and full payment to the seller. If buyer cannot make such payments, then the bank will take responsibility to covers the full or the remaining amount on behalf of the buyer.

## 5.2 Benefits of Documentary Credit or Letter of Credit (L/C)

There are some benefits of Letter of Credit.

- i. L/C always provides specific transactions between two parties.
- ii. L/C helps to satisfy the financial need of both buyer and seller.
- iii. By L/C, company can reduce its commercial credit risk. Also L/C helps to control the Credit approval of the Company.
- iv. L/C can also reduce political risk.
- v. L/C is mandatory by the government for garments industry. Because in L/C Bank are involved. And from every L/C Bank has some discrepancy charge which later on helps to our economy by VAT.
- vi. By mentioning terms & conditions, if any occurs happen then both parties can go for legal actions.
- vii. L/C is more secure than cash payments.
- viii. If customer are unable to provide L/C then bank have to ensure the payments.



### 5.3 Parties to the Letter of Credit of A&E Bangladesh Ltd.

Issuing Bank: In L/C there must be issuing bank. Without the issuing bank L/C cannot be opened. Buyers open L/C regarding provided PI's to them through an issuing bank. In A&E's LC, customer has to mention their issuing bank name in the L/C. The bank that issues credit on behalf of the customer is called issuing bank.

- **Confirming Bank:** Confirming bank is also mandatory because it adds confirmation to the credit that the issuing bank's request. L/C must be confirmed by the bank.
- **Beneficiary:** In L/C beneficiary full name must be mentioned. If the beneficiary name is not correct A/E will not accept the L/C provided by the customer. Such as:

American & Efirid Bangladesh Ltd.

Plot: 659-660, 93 Islampur, Gazipur.

- **Applicant:** Applicant means the buyer that purchase goods from A&E. In L/C applicant name is mandatory. Applicant name can be as per PI address or the full address given by the customer. Applicant name must be specific and full in form. Such as:

MBM GARMENTS LTD

M-19 AND M-14, SECTION-14,

MIRPUR, DHAKA-1206, BANGLADESH

- **Advising Bank:** In A&E's LC there are two approved advising Bank.
  1. **CBC**-Commercial Bank of Ceylon PLC.
  2. **SCB**-Standard Chartered Bank

- **Nominating Bank:** Sometimes there are some nominating banks mentioned in the LC by the buyers. If the issuing bank unable to provide the payment then the nominated bank will cover the credit terms.
- **Claiming Bank:** claiming bank means nominated bank which can claims the payment from reimbursing bank.
- **Presenter:** Presenter means the beneficiary; the bank or other party can make a presentation.
- **Transferring Bank:** Transferring Bank is the nominated bank that can transfers the credits. In case of credits are available with the bank, transferring bank is specially authorized by the issuing bank.

## **5.4 Operations of Documentary Letter of Credit**

### **5.4.1 Issuing a Letter of credit (L/C)**

When the buyer places an order, the customer service team sends them a Proforma Invoice or PI. In PI, quantity, value and other things mentioned. After that customer proceeds PI to their commercial team to open L/C. As per the requirements of seller the buyer will open LC on some terms & conditions.

### **5.4.2 Advising a Letter of Credit (L/C)**

Advising through the bank is evidence of authenticity of the credit to the seller. The process of advising the credit of A&E consists of forwarding the original document to the beneficiary To Whom It May Concern. Before forwarding bank have to check the signature of the officers of the bank. Also bank have to ensure that all the terms and conditions are included.

### **5.4.3 Amendment of Letter of Credit**

Sometimes in L/C there can be any mistake by the buyers or by the Banks. For example in A&E's LC PI number or value can be wrong. Sometimes Master L/C number can be missing. If this happens then buyers have to do an amendment through the Bank for correction. Without amendment A&E cannot update L/C to its system.

#### **5.4.4 Presentation of Documents**

After updating LC into the system, then the documentary team will proceed for documents. In L/C proper documents have to mention while submitting the documents to the buyers. In a document there are packing lists, bill of exchange, Challan copy, Commercial Invoices etc. included. After getting acceptance from the customer bank will examine the documents.

#### **5.4.5 Common Documents under Documentary Letter of Credit**

- Bill of exchange is mentioned in the documents.
- Delivery Challan/Truck Receipt details have to include in documents. Issuing bank full address is required for delivery Challan. Without Truck Receipt No. document will not be accepted.
- Commercial Invoice also included in documents.
- Packing list must be added in documents.
- Certification of origin: Invoice number, date, PI numbers added here.
- Beneficiary's Certificate is mandatory for all documents.
- Authorized seal and signature is required for all papers.

#### **5.4.6 Bill of Lading (B/L):**

- Original copy is must in full set of Bill.
- The bill of lading is always clean.
- If the terms of sales are C&F, B/L is to be noticeable Freight Prepaid.
- Every detail has to include in bill of lading.
- Bill of lading is not allowed if the LC is not specified.
- B/L is not out-of-date.

## 5.5 LC Management of American & Efird Bangladesh Ltd.

1. **LC Number:** LC number is very important for every LC. Without correct LC number LC is not acceptable. In the front page LC number mentioned as documentary credit number. In A&E's LCMS LC number added at first.
2. **Customer Name:** Customer name means applicant name. There is a customer code for every customer. In LCMS customer code is required while updating LC into system.
3. **A&E Bank:** A&E bank means advising bank. There are two banks nominated by A&E. CBC and SCB. Without these two advising bank LC will not acceptable.
4. **LC Terms:** LC terms should be 90 days sight. As per A&E's company policy 120 days LC is not acceptable.
5. **LC Date:** There is an issuing LC date mentioned in every LC.
6. **LC Expiry Date:** Date and place of expiry have to mention in LC. There have to be a gap between issuing date and expiry date.
7. **LC value.** As per PI value LC is opened. A&E LC has to be opened in USD. In LCMS system LC value is mandatory.
8. **LC Sight:** LC sight can be different. There are some sights that A&E accepted.
  - 90 days sight
  - 90 days sight from the date of acceptance.
  - 90 days from the date of delivery.
  - 90 days sight from the documents received.
  - 90 days sight from the date of delivery
  - 90 days sight from the date of negotiation.

**9. PI number:** In every LC PI number must be mentioned properly. If one digit is missing in a PI, then need an amendment copy to update LC into system. In LCMS there is a specific column to add PI number. A&E's PI numbers are PI-**S0144194** for single PI and PI-**B0001222** for Bulk PI.

**10. Bank Name & Address:** Bank name & address is given as per buyers nominating bank. Full bank name & address must be included in LC. Such as:

UNITED COMMERCIAL BANK LTD

ELEPHANT ROAD BRANCH

25 ELEPHANT ROAD, DHAKA

**11. Applicant Address:** As per PI address or full address provided by the customer applicant name mentioned in the LC. If wrong address mentioned in the LC, then need an amendment copy for further proceed.

**12. Master LC Number.** All documents must be bear the master LC number or sales contract number. Master LC number with date is mandatory for every LC.

**13. Additional Information:** In this area some information has to add in LC. Such as:

H.S. Code No. 5401.10.00

BIN No. 002199423-0403

Issuing Bank BIN: 0000001349-0101

## **5.6 Terms & Conditions to open L/C of A&E:**

1. Proforma Invoice is integral part of Letter of Credit.
2. Invoice value must be paid at 90 days sight from the date of delivery in US\$ by confirmed irrevocable L/C opened on the ,
  - i) Commercial Bank of Ceylon PLC.
  - ii) Standard Chartered Bank
3. All banking charges are on the account of applicant(s)
4. Maturity date will be counted from the date of delivery.
5. L/C must incorporate delivery validity up to 30 days from the date of LC issue and negotiation 15 days from the date of delivery.
6. L/C must bear the confirmation by the L/C issuing bank to the negotiation bank that the bill presented under LC must be accepted within 7 days from the date of its receipt and paid on maturity date.
7. Acceptable length of variance: Plus or minus 2% for Quantity and amount, partial delivery allowed.
8. Insurance will be offered by the applicant.
9. Delivery Note/Challan should be treated as truck receipt and must be signed and sealed by the applicant stating that they have received the goods in good condition as per PI treated as instruments of payments.
10. Payment should be made in US\$ by irrevocable letter of credit at 90 days sight from the date of delivery in favour of AMERICAN & EFIRD BANGLADESH LTD. Plot#659-660,93,ISLAMPUR,GAZIPUR<BANGLADESH.
11. Negotiating Bank details. i) CBC ii) SCB

12. Trade License, VAT, TIN, IRC & ERC number details.

- i) Trade License Number: 105/12-13
- ii) VAT Registration Number: 000148114
- iii) ERC (Export Registration Certification) Number : BA-61599
- iv) BIN No.000148114
- v) Tin (Tax Identification Number) :002-201-9116/COY-2,E-TIN:  
695284208536
- vi) IRC Number :BA-151385

13. Utilization Declaration (UD) required with the L/C.

14. HS CODE :5401.10.00

15. Shipment: By Truck

## 5.7 Settlement

Settlement means achieving the guarantees of the issuing bank in respect to implementation payment subject to sustaining the credit terms completely. This settlement may be complete beneath three distinct arrangements as required in the credit. These are:

- **Settlement by payment:** Here the presenter/beneficiary presents the documents to nominated or issuing bank and bank then examines the papers. If contented, the selected or issuing bank makes payment to the beneficiary and this bank is other than issuing bank, and then sends the documents to allotting bank. If the issuing bank is satisfied with the requirements, payment is acquired by the nominated bank from the issuing bank.
- **Settlement by Acceptance:** In this procedure, the beneficiary/ presenter succumbs the documents to nominated/issuing bank attended by draft drawn on bank (where the credit available) at the definite tenor. After being pleased with the documents, the bank receives the documents and the draft and if bank is other than issuing bank, then sends the

documents to the issuing bank asserting that it has accepted the draft and at maturity the reimbursement will be attained in the pre-agreed method.

- **Settlement by Negotiation:** The settlement procedure starts with compliance of documents by beneficiary/presenter to nominated bank attended to draft drawn the issuing bank or other drawee, at sight or the tenor, as certain in credit. After inspecting the documents meet credit requirements, bank gaining drafts and/or documents.



# **Chapter Six**



## **Findings, Recommendations and Conclusion**

## 6.1 Findings

It has been known that A&E set its customer base with those types of customers who truly pursue the best quality. It also aims those markets that are focused in aiding a specific market not only to a certain product. For standing A&E has its own product, service image variation.

- i. As the expiry date of the Letter of credit (L/C) is too short factories are unable to present their documents timely and for this reason discrepancies occurred for each and every invoice.
- ii. Port of loading and destination port is not specified in the credit. Sometimes in the Letter of credit the port of loading and destination port is not specified and for this reason commercial department faces problem to put correct destination on invoices.
- iii. As there are few works in commercial department so an employee need to perform some other tasks assigned by the management. Buying houses commercial are doing only few works like: Collecting PI, Transferring L/C, Getting documents approval from buyer in favor of Factories and collecting margins from factories.
- iv. In our country garment exports are financed by the banks making lien and pledge on Export L/C commonly called as Master L/C.
- v. The factory has been successively by highly capable and experienced manpower, which have been in this area for quite a long time, and are able to keep enduring the production process with extreme correctness and sound ultimate.
- vi. The company has guaranteed continuous production and timely supply of goods as per the schedule and time frame of buyers.

## 6.2 Recommendations

American & Efird Bangladesh Ltd is a well-known sewing thread manufacturing company in Garments industry. A&E runs its business by its own strategies. A&E sells its products by letter of credit. As an employee of A&E, I have some recommendations.

- i. As expiry date on L/C is the major concern for exporting goods so all parties should reach on a mutual understanding to increase the expiry date.
- ii. Sometimes factories/beneficiaries need amendments in some clauses on L/Cs and these amendments must be agreed to by the issuing bank, confirming bank, if any, and the beneficiary.
- iii. To avoid future misunderstanding among the parties the port of loading and destination port should be specific on the L/C.
- iv. Financing in the garments sector by the banks should be made more secured regarding the clauses specified on L/C.
- v. The Banking Authority in Bangladesh like central bank must produce some rules so that buyer and its banks may not impose rules which are against our banking policy in some countries of tight control on foreign trade operations, documentary credit is a very strong device in the government control and supervisory mechanism.
- vi. To get payments within short time L/C must be opened within 30 days of Invoice.

### **6.3 Conclusion**

It was a great desire for me to work in the commercial sector of American & Efird Bangladesh Ltd. which delivers a wide collection of scope to detect different purpose of manufacturing industry through the affable assistance of the employees and supervisors. All the employees of A&E Bangladesh Ltd. tried to provide best service. Now a day the manufacturing industries are fronting a lot of challenges because of altering demand. Besides this many opponents also a main factor that makes this sector challenging. So A&E Bangladesh Ltd. should take suitable step to endure properly in this sector by removing their weaknesses. They should give authority to take independent assessment at high level officer. If that, the company can be profited because of taking decision the work some time postponement. They should defend inexpensive key factors in the management performs like cost, product quality, image, status, distribution & control of capitals, abilities etc. American and Efird (A&E) Bangladesh Ltd are functioning its business on its standing, quality service and sustaining affiliation with customers. It has a good image of providing the best solution to any dealer and availability to buyers any time. With its high quality A&E always aim those customers who are most quality seeker. If the total business procedure enduring same, than hopefully A&E will be the top position of the sewing thread industry in Bangladesh. From my own estimation I can say that I really enjoyed my job in A&E Bangladesh Ltd. from the very first day I am certain that my career at this manufacturing sewing thread company will definitely help me to understand my future career in the company.

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# **Appendix**

**Proforma Invoice**

**Letter Of Credit (L/C)**

**LC Amendment**

**LC Documents**