

TERMS OF DELIVERY

I – INCOTERMS:- Terminology of various terms commonly used worldwide for delivery and transportation of goods is grouped into four categories in the INCOTERMS-2000 as under:-

(a) **“E” – Terms** - Implies Ex-works, where **E** under, the seller only makes the goods available to the buyer at the seller’s own premises. The responsibility of providing the carrier is that of the buyer.

(b) **“F” – Terms** - FCA, FAS and FOB are various clauses of “F” terms under which the seller is called upon to deliver the goods to a carrier appointed by the buyer. The responsibility of providing the carrier is that of the buyer.

(c) **“C” – Terms** - CFR, CIF, CPT and CIP are various clauses of “C” terms under which the seller has to contract for carriage, but without assuming the risk of loss of or damage to the goods or additional costs due to events occurring after shipment and dispatch.

(d) **“D” – Terms** - DAF, DES, DEQ, DDU and DDP are various clauses of “D” terms under which the seller has to bear costs and risks needed to bring the goods to the place of destination.

1. **Ex-works (EXW)** – “Ex-Works” means that the seller delivers when he places the goods at the disposal of the buyer at the seller’s premises or another named place (i.e. works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle. This term thus represents the minimum obligation for the seller and the buyer has to bear all costs and risks involved in taking the goods from the seller’s premises.

However, if the parties wish the seller to be responsible for loading of the goods on departure and to bear the risks and all the costs of such loading, this should be made clear by adding explicit wording to this effect in the contract of sale. This term should not be used when the buyer cannot carry out the export formalities directly or indirectly. In such circumstances, the FCA terms should be used provided the seller agrees that he will load at his cost and risk.

2. **Free Carrier (FCA)** - “Free Carrier” means that the seller delivers the goods, cleared for export to the carrier nominated by the buyer at the named place. This term may be used irrespective of the mode of transport including multi-modal transport. “Carrier” means any person who in a contract of carriage undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes. If the buyer nominates a person other than a carrier to receive the goods the seller is deemed to have fulfilled his obligation to deliver the goods when they are delivered to that person.

3. **Free Alongside Ship (FAS)** - “Free Alongside Ship” means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. The FAS terms requires the buyer to clear the goods for export. However, if parties wish the buyer to clear goods for export this should be made clear by adding explicit wording to this effect in contract of sale. This term can only be used for sea or inland waterway transport.

4. **Free on Board (FOB)** - “Free on Board” means that the seller delivers when the goods pass the ship’s rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from the point. The FOB terms requires the seller to clear the goods for export. This term can be used

only for sea or inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail, the FCA terms should be used.

5. **Cost and Freight (CFR / C&F)** - "Cost and Freight" means that the seller has delivered when the goods pass the ship's rail in the port of shipment. The seller must pay the cost and freight necessary to bring the goods to the named port of destination but the risk of loss of or damages to the goods or any additional costs due to events occurring after the time of delivery are transferred from the seller to the buyer. The CFR terms requires the seller to clear the goods for export. This term can be used only for sea and inland waterway transport.

6. **Cost, Insurance and Freight (CIF)** – "Cost, Insurance and Freight (CIF) means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination. In case of CIF terms, the seller also has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage. Consequently, the seller contracts for insurance and pays the insurance premium. The CIF term requires the seller to clear the goods for export. This term can be used only for sea and inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail the CIP term should be used.

7. **Carriage Paid To (CPT)** - "Carriage Paid to (CPT)" means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to be named destination. This means that the buyer bears all risks and any other cost occurring after the goods have been so delivered. He CPT term requires the seller to clear the goods for export. The term may be used irrespective of the mode of transport including multi-modal transport.

8. **Carriage and Insurance Paid To (CIP)** - "Carriage and Insurance Paid To (CIP)" means that the seller delivers goods to the carrier nominated by him but the seller must in addition pay cost of carriage necessary to bring goods to be named destination. This means that the buyer bears all risks and any additional cost occurring after the goods have been so delivered. However in CIP, the seller also has to procure insurance against the buyer's risk of loss of or damages to the goods during the carriage. Consequently, the seller contracts for insurance and pays the insurance premium.

The buyer should note that under the CIP term, the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have the protection of greater cover, he would either need to agree as much expressly with the seller or to make his own extra insurance arrangements. "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, roads, air, sea, inland waterway or by a combination of such modes. If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CIP requires the seller to clear the goods for export. This term may be used irrespective of the mode of transport including multi-modal transport.

9. **Delivered at Frontier (DAF)** – "Delivered at Frontier" means that the seller delivers when the goods are at the disposal of the buyer on the arriving means of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border of the adjoining country. However, if the parties wish, the seller to be responsible for the unloading of goods from the arriving means of transport and bear the risks for costs of unloading, this should be made clear by adding explicit wording to this effect in the contract of sale. This term should not be used irrespective of the mode of transport when goods are to be delivered at a land frontier.

10. **Delivered Ex-Ship (DES)** – “Delivered Ex-Ship” means that the seller fulfils his obligation to deliver when the goods have been made available to the buyer on board the ship un-cleared for import at the named port of destination. The seller has to bear all the costs and risk involved in bringing the goods to the named port of destination before discharging. If the parties wish, the seller to bear the costs and risks of discharging the goods, then the DEQ term should be used. The term can only be used only when the goods are to be delivered by sea or inland waters way transport on a vessel in the port of destination.

11. **Delivered Ex-Quay (Duty Paid) (DEQ)** – “Delivered Ex-Quay (Duty Paid)” means that the seller fulfils his obligation to deliver when he has made the goods available to the buyer on the quay (Wharf) at the named port of destination, cleared for importation. The seller has to bear all risks and costs including duties, taxes and other charges of delivering the goods thereto. This term should not be used if the seller is unable directly or indirectly to obtain the import license. If the parties wish the buyer to clear the goods for importation and pay the duty, the words “duty unpaid” should be used instead for “duty paid”.

II – **GENERAL TERMS**: Other terms for delivery and transportation of goods are;

1. **Free on Rail / Road (F.O.R on Destination)** – In case of FOR on destination the seller delivers the goods to the carrier nominated by him but the seller in addition pays the cost of carriage necessary to bring the goods to the named destination which is transporter’s godown nearest to the buyer in case of road transport & nearest railway station to the buyer in case of transport by rail. Under this term the buyer should confirm the extent of insurance cover provided by the seller. Should the buyer wish to have the protection of greater cover, he would either need to agree as much expressly with the seller or to make his own extra insurance arrangements.

2. **Free on Rail / Road (F.O.R on Depatching Station)** – In this case the seller delivers the goods to the nominated carrier (Transporter’s godown in road transport & Railway station in rail mode) nearest to the seller on freight to pay or freight pre-paid basis as agreed between the buyer & seller. This means that the buyer bears all risks and any other cost occurring after the goods have been so delivered.

3. **Door Delivery Basis** - In this case the seller delivers the goods in the store or other such place specified by the buyer with all charges towards freight, insurance, clearance etc duly paid by the seller such as dispatches by courier service etc.