Sourcing from India
A country guide for volume buyers

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Executive summary

The Hinrich Foundation Export Trade Assistance program presents Sourcing from India, a guide to assist buyers new to importing from the country.

From searching for suppliers to having products shipped, buyers looking to diversify their sourcing with the India can find step by step support in this text.

**Getting oriented** highlights international airports, central business districts and common office hours in the India for readers.

The **key export statistics** section provides the latest information on India’s economic world standing and labor force. It also details the country’s major finished export goods and key trading partners.

In the **manufacturing centers section**, readers can learn about the major production centers of India as well as its sources for raw materials. The section also describes the location of Special Economic Zones, Export Processing Zones and Export-Oriented Units, and lists down the tax incentives provided to businesses operating in EPZs.

Within **trade services**, readers can learn about organizations offering buyer support. Buyers can learn how to utilize help and resources for finding suppliers, contacting government agencies and importing products.

In **banking & finance**, buyers can discover local and foreign banking options, and financial and insurance institutions.

**Paying for your purchase** illustrates the payment options available in the India, arranged by both buyer and supplier preference.

The **export documentation** section guides readers through the export process and the key documentation necessary for the procedure.

**Settling trade disputes** provides readers advice on avoiding disputes with suppliers. It also gives methods and resources for addressing disputes if they should occur.
Key export statistics

Since India liberalized its economy in the early 1990s, it has been growing at an average rate of over 7 percent each year. Today, India is the seventh largest Asian economy following the US, China, Japan, Germany, the UK and France. It also has the fourth-largest gross domestic product (GDP) in the world at $8 trillion and the world’s second largest labor force at 502.1 million people, according to the CIA Factbook. India’s economy relies on its manufacturing sectors – oil and gas refining, auto, plastic, textiles and steel production – and also its agriculture and services sectors.

Major exports

Gems & jewelry
With $36.3 billion in exports in 2014-2015, precious gems and jewelry continue to be an important industry for India, according to the Gem and Jewellery Export Promotion Council.

Diamonds and gold are considered the two most important products of the gems and jewelry sector. Diamond processing (cutting and polishing diamonds) is also a major industry in India. According to the India Brand Equity Foundation (IBEF), the country’s success in the gems and jewelry market can be attributed to highly skilled and low cost labor, excellence in jewelry and diamond polishing and technologically advanced diamond cutting units.

Some of the top gemstone-producing states in India include:
- Andhra Pradesh (mining and minerals)
- Chhattisgarh (diamonds)
- Jammu & Kashmir (blue sapphires)
- Karnataka (rubies)
- Kerala (chrysoberyl)
- Madhya Pradesh (diamonds)
- Orissa (gemstones)
- Rajasthan (emeralds)
- Tamil Nadu (gemstones)

Surat is considered an important diamond-processing hub that exports approximately 80 percent of the diamonds produced and has over 3,500 diamond-processing centers, according to Dun & Bradstreet India.

Textiles & garments
India is one of the world’s largest sources of textiles and garments, with an abundance of skilled workers and raw materials like cotton, silk, wool and jute. The textile sector is the second largest employment sector (behind agriculture) – directly employing over 45 million people, according to IBEF.

India is the world’s second-largest producer of cotton behind China. The country produced 6.2 million tons of cotton in 2015-2016, according to government statistics. The states of Gujarat, Maharashtra and Telangana lead the nation in cotton production combining for nearly 70 percent of the total production in the country.

The textile sector has also seen an increase in foreign direct investment over the past few years, according to IBEF. From April 2000 to September 2015, foreign direct investment was estimated at $1.8 billion dollars. Government initiatives such as providing venture capital to start-ups, developing the technical textiles sector and improving textile-processing units have also helped promote the industry.
## India's major exports

April 2014 to March 2015

<table>
<thead>
<tr>
<th>Product</th>
<th>US$ (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral fuels and oils</td>
<td>$52.6</td>
</tr>
<tr>
<td><strong>Pearls, precious/semiprecious stones</strong></td>
<td>$41.6</td>
</tr>
<tr>
<td>Vehicles and accessories</td>
<td>$14.4</td>
</tr>
<tr>
<td>Nuclear reactors, boilers and machinery</td>
<td>$13.8</td>
</tr>
<tr>
<td>Organic chemicals</td>
<td>$12.0</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>$11.6</td>
</tr>
<tr>
<td>Cereals</td>
<td>$9.6</td>
</tr>
<tr>
<td>Electrical machinery and parts</td>
<td>$8.7</td>
</tr>
<tr>
<td>Cotton</td>
<td>$7.7</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>$8.6</td>
</tr>
<tr>
<td><strong>Apparel &amp; clothing (non-knitted)</strong></td>
<td>$9.9</td>
</tr>
<tr>
<td>Plastic</td>
<td>$5.1</td>
</tr>
<tr>
<td>Fish and crustaceans</td>
<td>$5.2</td>
</tr>
<tr>
<td>Aircraft, spacecraft and parts</td>
<td>$5.2</td>
</tr>
</tbody>
</table>

*Source: Export Import Trade Statistics – Ministry of Commerce*
Manufacturing centers

India is comprised of 29 states and 7 union territories. The state of Rajasthan, with a total land area of 342,239 square kilometers, is the largest state in India based on land area. Situated at the border dividing India and Pakistan, its capital city is Jaipur. Handicrafts made in Rajasthan are famous the world over.

Madhya Pradesh is India’s second largest state at 308,000 square kilometers. Its capital is located in the center of the country, Madhya Pradesh is one of the fastest growing states in India, with a gross state domestic product (GSDP) that reached $84.3 billion in the 2014-2015 year, according to the Indian Brand Equity Foundation.

Maharashtra, with Mumbai as its capital, is India’s third largest state. It is bordered by Karnataka and Goa in the south, Madhya Pradesh in the north, Andhra Pradesh in the southeast and the Arabian Sea in the west.

Maharashtra’s gross state domestic product (GSDP) – the highest GSDP of all states— contributed 13 percent of India’s total gross domestic product (GDP) in 2014-2015, according to IBEF. It also had the highest foreign direct investment (FDI) of all states in India at $264.8 billion from 2014 to 2015.

Special Economic Zones & Export Processing Zones
India has established several foreign trade zones in an effort to encourage export production including Special Economic Zones (SEZ), Export Processing Zones (EPZ), Software Technology Parks (STP) and Export-Oriented Units (EOU).

SEZs are treated as foreign territory, according to The U.S. State Department and therefore operate outside the domain of customs authorities, receive exemptions from industrial licensing requirements, avoid FDI equity caps and enjoy tax breaks and tax holidays.

See Appendix on page 21 for the complete list of SEZs in India.

Export Processing Zones are industrial parks with incentives for foreign investors investing in export-oriented businesses. EPZs were set up to meet the following objectives:

- Increasing foreign exchange earnings.
- Improving the skills of local labor forces.

Export-Oriented Units
Export-Oriented Units are industrial companies located anywhere in India that export the entirety of their production. In return for concentrating exclusively on products for the export market, manufacturing units receive many of the benefits afforded to the EPZs, but with the option of establishing operations in any part of India. In the 2008-2009 year, there were 2,600 functioning EOUs that contributed 20 percent of India’s total exports for the year, according to government statistics.

Incentives list for enterprises in EPZs

Enterprises in EPZ are granted the following fiscal and nonfiscal incentives:

1. Complete tax holiday for five years, to be used within the first eight years of operation.
2. Duty-free import of capital goods, raw materials, consumables, spare parts, packaging materials.
3. Permission to sell part of their production to local market. Domestic sales, however, depends on the local content of the product.
4. Industrial plots and standard design factories are available to EOUs and EPZs units at concessional rates.
5. Exemption from central, service and state sales tax.
6. Firms are permitted to subcontract part of their production outside the zone.
7. Companies can take advantage of concessional financing from financial institutions.
8. Foreign investors can hold up to 100 percent equity and can repatriate capital to up to the extent of the original investment, plus profits and dividends, after tax deduction.
9. A single-point clearance is provided by the Ministry of Commerce for units in each EPZ.

See Appendix on page 21 for the complete list of SEZs in India.
**Major production centers**

**Legend**

- Finish products
- Raw materials

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**Rajasthan**
- Marble products
- Woolen carpet
- Embroidery
- Jewelry
- Leather products
- Pottery
- Brass products
- Textiles
- Chemicals
- Marble
- Steel

**Madhya Pradesh**
- Textiles
- Auto and auto components
- Cement
- Agro-based industries
- Iron
- Manganese
- Coal
- Tin
- Limestone

**Maharashtra**
- Textiles
- Chemicals
- Electrical and non-electrical machinery
- Auto and auto components
- Oil and gas
- Pharmaceuticals
Importing from India is a complex process, so getting goods from suppliers on time, at the right quality and in exact quantity requires adept negotiating skills and an in-depth knowledge of relevant industries.

Buyers’ searches should go beyond the basic objective of finding the product they need. A more important task is to find the best possible supplier – or at the very least a knowledgeable and well-experienced guide – that has already extensively dealt with foreign buyers and is familiar with every step of the exporting success.

**Federation of Indian Export Organizations**

The Federation of Indian Export Organizations (FIEO), established in 1965, is the major body supporting most exporting organizations and institutions. It also functions as a primary servicing agency providing integrated assistance to government-recognized export houses and acts as a central coordinating agency promoting consulting service in India.

FIEO directly and indirectly serves the interests of over 100,000 exporters in the country that contribute more than 70 percent of India’s exports, according to FIEO’s website and the Hinrich Foundation.

**Trade publications**

Trade journals are some of the most effective ways of locating the right supplier. The number of such publications is on the rise, providing global buyers the most important and updated information over a wide range of consumer products made in Asia.

Various local publications are also available in India. Magazines, such as Business India, Business World, Commerce Weekly and Fortune India provide useful background, commentary and production data that all interested foreign buyers can use to look for the most appropriate supplier. Economically oriented daily newspapers, including the Financial Express and the Economic Times, can also be of assistance to suppliers.

Organizations engaged in export promotion (export promotion councils, industry association, chambers of commerce, etc.) also publish periodic newsletters and magazines. These cover a range of topics from general analysis of the India’s economy to market research for specific goods and services. Many also run advertisements to match buyer’s needs with seller’s specifications. Others have begun to publish directories of exporters. FIEO has a list of exporters who meet the qualifications of the export-house/trading-house system. Exporter’s directories include:

- Exporter’s Yellow Pages
- Indian Export Directory
- Tata Press Yellow Pages
- Export Promotion Councils

These councils act as middlemen for Indian manufacturers and foreign buyers. They are industry-specific rather than general export promoters. As front-line organizations aimed at promoting exports, these councils offer well-designed and eye-catching public relations materials, which contain useful information on products related to their respective group.
At present, there are 14 Export Promotion Councils under the administrative control of the Department of Commerce. Each council is in charge of promoting an industry or product group. The role of these councils varies, but generally they are a good starting point for getting information on a specific industry and for directing foreign buyers to manufacturers.

Trading houses & export houses
Companies with good track records of overseas sales are granted the status of export house by the Federation of Indian Export Organizations (FIEO). A trading house is an even higher status conferred on companies with considerable foreign exchange earnings. The levels above trading house include “star trading house” and “super star trading house”.

The distinct advantage to a buyer, particularly a first-time buyer, in working with these companies is that they are experienced in every aspect of the exporting process. For buyers nervous about their first purchase from India, a trading house is the best option available. The trading house can be used on a long-term basis and can take responsibility for the whole package from order to delivery.

In addition to ensuring the reliability of suppliers, these companies can overcome the obstacles inherent in the current Indian export scene, bureaucratic delays, poor transportation, substandard quality and petty corruption. With a well-established pattern and its own employees at the factor and port monitoring the shipment, a trading house helps ensure the buyer is in good hands.

Chambers of Commerce
Given the size of the Indian economy, other industry-related bodies are playing active roles in promoting Indian exports and linking up prospective foreign buyers with local manufactures.

The two major all-India chambers of commerce are the Associated Chambers of Commerce and Industry (ASSOCHAM) and the Federation of Indian Chambers of Commerce and Industry (FICCI). They conduct market surveys, arrange overseas trade missions, buyer-seller meetings and publish regular information for manufacturers and buyers alike.

Trade associations
A number of trade associations in India sponsor similar activities for their members. One of the most influential is the Confederation of Indian Industry (CII). CII is a national industry association serving and representing companies in the public and private industries. CII has 64 offices in India (including nine Centers of Excellence) and seven overseas offices in Australia, Egypt, China, France, Singapore, the UK and the US.

CII has over 7,000 members from both private and public sectors, according to its website. Buyers can contact suppliers and evaluate goods before coming to India through its overseas offices. It also coordinates with engineering trade fairs and associations in other countries.

Indian embassies in various countries are also commissioned to promote Indian export opportunities.

Non-Resident Indian Network
Another source of potential supplier contacts is the global Non-Resident Indian (NRI) Network. People of Indian origin residing abroad compose a powerful entrepreneurial group of millions. In many countries, including the US, Canada and some parts of Europe, they are largely affluent, well-educated and successful in an array of business.

The Indian government offered incentives to entice these overseas Indians back with a series of financial and investment incentives available only to them. Meeting with an NRI in your own country can be a useful way to learn about the business conditions in India and obtain various tips on how to locate a supplier and/or a business partner.

Using an agent
Some buyers choose to employ an Indian agent to do the initial market research and running around required to get products. Getting an agent can be the best option for buyers not wanting to spend much time doing background research and following up orders. With its large pool of MBA’s and other professionals, India can provide skilled people to take care business interests for considerably less than what many Western buyers would pay for equivalent skills in their home countries.

An agent can follow through on all the stages of the export transaction. Moreover, with more exposure to Indian business, agents can make use of their influence to ensure that goods are delivered on time. However, a first-time buyer is cautioned to ask other foreign buyers with experience dealing in India for input on the agent. A reliable agent knows how to deal with the problems inherent in the exporting system and can provide options in case suppliers fails to meet their end of the bargain.
Banking & finance

Although India’s banking system is considered elaborate and complicated, the sector has been resilient over the past few years while facing high domestic inflation, rupee depreciation, and fiscal uncertainty in Europe and the US.

Banking structure
The Reserve Bank of India (RBI) acts as the central banking institution. It has the sole authority to issue bank notes. It also administers exchange control regulations and the government’s monetary policy, supervises the activities of all banks (local and foreign) and regulates money supply and credit. RBI has 31 regional offices (most located in state capitals) and nine sub-offices.

The banking system in India has three tiers:

- Commercial banks (domestic and foreign)
- Cooperative and special purpose rural banks
- Regional rural banks

Most large Indian banks and financial institutions are in the public sector. The public sector banks continue to dominate the banking industry (cornering over 70 percent of the market) with private banks handling 17 percent of the market and foreign banks at approximately 13 percent, according to a 2013 report by The United States Department of Commerce.

Commercial banks
Currently, there are approximately 147 scheduled commercial banks (both domestic and foreign) in India, according to the RBI. The RBI reports that there are a total of 131,694 offices of commercial banks in India as of 2015. Commercial banks provide short-term loans for fixed asset investment. They also provide capital market advisor services through merchant banking subsidiaries, foreign exchange services such as swaps and hedges, investment consultancy, factoring through subsidiaries and personal banking services such as credit cards.

Foreign banks
There are currently 46 foreign banks with 325 branches operating in India. There are also 39 foreign banks with representative offices in India, according to RBI statistics.

The following banks have branches and/or offices in India according to the Reserve Bank of India:

- AB Bank Ltd
- The Royal Bank of Scotland N.V.
- Abu Dhabi Commercial Bank Ltd
- American Express Banking Corp.

These programs of financial services are aimed at increasing Indian exports:

- “Deemed export” assistance.
- Direct loans for exports.
- Export bills rediscounting.
- Export financing of computer software.
- Foreign currency credit line (for plant improvements).
- Foreign lines of credit.
- Funding for export product development.
- Import financing for inputs used in exports.
- Overseas buyers’ credit.
- Overseas investment financing.
- Pre-shipment credit.
- Refinancing of export credits.
- Relending facility to banks abroad.
- Refinancing of export credits.
- Small-scale industry export bills rediscounting program.
- Technology and consultancy services financing.
- Term finance for 100 Percent Export Oriented Units (EOUs).

- Antwerp Diamond Bank N.V.
- Australia and New Zealand Banking Group Ltd
- Bank Internasional Indonesia
- Bank of America
- Bank of Bahrain and Kuwait BSC
- Bank of Ceylon
- Bank of Nova Scotia
- Barclays Bank Plc.
- BNP Paribas
- Credit Agricole Corporate & Investment Bank
- Chinatrust Commercial Bank
- Citibank NA
- Commonwealth Bank of Australia
Foreign banks offer a full range of commercial financing activities and operate under the 1949 Banking Companies (Regulation) Act.

**Exim Bank**
The most important financial institution for Indian exports is the Export-Import Bank of India (Exim Bank). Established in 1981, Exim Bank is the principal coordinator for institutions engaged in financing import and export trade. Its job is to provide facilities to exporters all over the country and coordinate with commercial banks and other lending institutions on export-related loans.

Exim Bank’s non-funded schemes mainly cover assistance in the form of bid bonds, advance payment guarantees, retention money guarantees for raising money abroad, among others. The guarantees are given in foreign currency on behalf of Indian exporters or contractors in favor of the overseas importers, employers and/or banks. The Exim Bank also provides merchant banking services to assist exporters in assessing global credit sources.

The bank has seven representative offices including Singapore, Senegal, Myanmar, Ethiopia, South Africa, London and Washington D.C.

**Other financial institutions**
The Industrial Development Bank of India coordinates and supports the operations of banks and other financial institutions engaged in industrial development.

The Industrial Finance Corp. of India provides medium and long-term financing to companies and cooperatives engaged in a variety of industrial and manufacturing fields. It also promotes the industrialization of less developed areas and sponsors training in development banking.

Major financial assistance is offered to industrial enterprises by the Industrial Credit and Investment Corporation of India in the form of rupee or foreign currency loans or equity participation. This institution also offers financing for export development, technology and other ventures. It provides merchant banking services.

Other financial institutions include the National Bank of Agriculture and Rural Development National Housing Bank, and the Industrial Reconstruction Bank.

**Insurance institutions**
The Export Credit Guarantee Corp. of India Ltd, operating under the Ministry of Commerce and Industry, provides insurance coverage for Indian exporters. It underwrites major losses through guarantees it arranges with the banks involved. Its policy covers commercial and political risks outside the exporter’s control.

Other important bodies are the General Insurance Corp. of India and its subsidiaries, the Life Insurance Corp. of India and Deposit Insurance and Credit Guarantee Corp.

**Foreign exchange policy**
The Foreign Exchange Department of the Reserve Bank of India is in charge of laying down the policies and procedures under the Foreign Exchange Management Act of 1999 (FEMA). Under FEMA, foreign exchange transactions are separated into two categories: current account and capital account transactions.
Paying for your purchase

International buyers conducting business in India can use a number of methods for payment including letters of credit (L/Cs), wire transfers and drafts.

**Letter of credit**
A documentary L/C is an internationally accepted and commonly used method of export payment. In India, as in other parts of the world, an L/C is the most acceptable method of payment, offering protection to both buyer and seller. By using a letter of credit, not only do suppliers get their money but buyers get the title to the goods.

An L/C is an advice issued by the bank on the buyer’s behalf, authorizing the exporter to receive payment for goods in exchange for specified documents evidencing shipment. The L/C also stipulates strict terms that must be complied with before the exporter can claim payment.

**Cash**
Cash sales are uncommon because someone paying cash is looking for a good deal. A supplier may require cash as form of payment if the shipment is made to very specific guidelines, rendering the goods unsellable other than to the company that ordered them.

Cash also might be required if the exporter is doubtful of the buyer’s credit standing, or if the buyer requires the goods urgently. When cash is demanded, remittances may be received by means of a draft, mail or telegraphic transfer, or international money order.

Payment by cash involves a greater financial burden and risk to buyers. Buyers run the risk of not getting the goods they ordered on time or they may get goods that don’t meet their specifications. Choosing your supplier carefully is the key to avoiding such problems. If your Indian suppliers require cash payment upon signing the contract and you’re not sure whether they can deliver what’s promised, insist on using another form of payment.

Cash payments are rare, but permissible if no interest is involved in the transaction. However, if payment of interest to the foreign buyer is necessary, prior permission must be obtained from Reserve Bank of India (RBI).

**Consignment basis**
It is a standard trade practice for certain products to be exported on consignment basis for sale. Consignment allows the consignee (the buyer) to pay on a specified date. Shipping documents are sent to the overseas bank with instructions for the consignee to pay on a specified date. However, exchange control laws of most Asian countries require payments to be received within six months of the date of the shipment.

This method is usually extended to buyers with good credit standing.

**Sales on open account**
This is generally adopted in an inter-company relationship or when the importer and exporter already have long and favorable trade relationship. Payment is made by periodic remittances. No procedure for documentation is needed as the exporter delivers the goods, prepares the invoice for the buyer and awaits payment.
Payment methods

The common methods of payment in India are prepayment in cash, letter of credit, documentary drafts for collection, open account and consignment sales.

1. **Cash in advance**
   Buyer transfers payment to the seller upon contract award against commercial invoice before goods are shipped/services are commenced.

2. **Letter of credit (L/C)**
   Under an irrevocable L/C, the seller receives an irrevocable guarantee from a bank to be paid against compliant documents. Confirmed by a US bank, protected against economic, commercial and political risk. Buyer necessitates understanding of UCP 500, documentary requirements, different types of L/Cs (transferable, revolving, standby).

3. **Documentary collection (D/P, D/A)**
   Transport or commercial documents, including document of title and a Draft/Bill of Exchange (B/E) are forwarded by the seller’s bank to the buyer’s bank for payment/acceptance.

4. **Cash against documents (CAD)**
   Transport or commercial documents are forwarded by seller’s bank to buyer’s bank for payment.

5. **Open account (O/A)**
   Seller ships the goods/executes services and submits commercial invoice and other documentation to the buyer for payment (net 30/60/90 days). Electronic Wire Transfer (Swift)/foreign checks/cash/Banker’s Draft.

Source: University of the Pacific
Sourcing from India

Export documentation

India’s bureaucratic procedures are known for being complex, cumbersome and time-consuming. Missing or incomplete papers, inconsistencies and even misspellings may hinder export clearance. Without the accompanying certificates in proper order, goods will not leave India and may result in possible delays and increases in the cost of your transactions.

Although obtaining the necessary documents and preparing them correctly and consistently is the responsibility of the supplier, it is in buyer’s best interest to have an accurate knowledge of the export process and the required documentation.

Export registration

In the past, it was required for exporters to obtain an IEC code (a 10-digit Importer Exporter Code) from the Reserve Bank of India in order to engage in export operations. Today, the Directorate General of Foreign Trade (DGFT), under the Ministry of Commerce and Industry, is in charge of granting the IEC code which is mandatory in order to import or export in India.

In order to register an IEC number with the Indian government, an ANF 2A application for IEC code must be filled out and submitted along with necessary documents to the nearest Regional Authority of the DGFT.

It is also possible to file for the IEC number online at the Directorate General of Foreign Trade’s website.

Mandatory requirements to apply for an IEC code number:

- Application fee
- Bank certificate
- Current bank account
- PAN number
- The physical application containing required documents should reach the DGFT RLA concerned within 15 days of online submission

The application fee for IEC code number is Rs 250.

Export inspections

The Export Inspection Council of India, established by the Central Government and the Ministry of Commerce and Industry, handles quality control, pre-shipment inspection and other trade-support processes.

The Export Inspection Council of India has five Export Inspection Agencies (EIAs) located in Chennai, Delhi, Kochi, Kolkata and Mumbai. These agencies were established with the purpose of implementing the various measures and policies formulated by the Export Inspection Council of India.

They also have a network of sub-offices located at important manufacturing and processing centers, ports, and export points as well as maintain well-equipped laboratories used for inspection and product testing. Services include:

- Certification of quality of export commodities through installation of quality assurance systems (in-process quality control and self-certification) in exporting units as well as consignment wise inspection.
- Certification of quality of food items for export through installation of food safety management systems in the food processing units.
- Issues certificates of origin to exporters under various preferential tariff schemes for export procedures.

In addition to the EIAs, the government recognizes private inspection agencies to carry out quality control inspections and certification.

Commercial invoice

This is the basic and most important document in international trade. Apart from being the seller’s bill for the merchandise,
it contains comprehensive information about the shipper, importer, price, origin, etc., necessary for the preparation of other documents.

While this document is fundamental, some countries require additional invoices. Buyers can find out the requirements from their country’s embassy in India or from trading authorities in their own country.

Certificate of Origin
A Certificate of Origin ensures that goods actually originate from the country from which they have been purchased and have not been re-shipped via a third country.

The GSP Certificate of Origin – Form A is the standard form for exports and is available from Export Promotion Councils in the major cites of India.

This form requires the exporter of detail such items as the means of transport route, description of products, number of boxes and certificate of origin i.e. indications that the product is wholly produced or legally processed in India.

Certificate of Value
This form, required by most countries, is signed by the exporter to confirm the invoice value shown in the commercial invoice is correct.

Certificate of Inspection
Some contracts and countries might require an inspection certificate to be issued by an authorized agency in India working under contract for the foreign buyer. This may be in addition to pre-inspection certificates required by the Indian government.

Marine Insurance Policy
Under Section Three of the Marine Insurance Act 1963, the Marine Insurance Policy covers the transportation of any mode of transport – sea, air or land. Types of marine insurance policies include:

- **Cargo insurance**: Includes the cargo or good contained in the ship and the personal belongings of crew and passengers.
- **Freight insurance**: Provides protection against the loss of freight.
- **Hull insurance**: Covers the infrastructure of the vessel and its equipment.

- **Liability insurance**: Protects on account of liability to a third party caused by collision of the ship and other similar hazards.

Packing list
The packing list is the consolidated statement indicating the number of individual cases or packs in a given cargo. The list usually details the weight of the shipments and who packed it, at what date, as well as the quantity of items being shipped.

Bill of lading
This is the most popular document and must conform strictly to the conditions and terms of the letter of credit. There are many types of bills of lading (B/L) to cover various methods of transport, including Transshipment B/L, Container B/L, Through B/L or Multimodal B/L. The buyer should recommend the best possible means to transport the order from India to a designated discharged point.

The B/L lists the port of departure, port of discharge, name of the carrying vessel and date of issue. This date is important because it shows whether the goods have been shipped within the period allowed in the letter credit. It also starts the clock for the period within which the supplier must tender all the required documents to receive payment under the terms of the credit. If a shipment is made after the date in the L/C, it is considered a late shipment.

Combined Transport Document
A Combined Transport Document (CTD) is issued when the merchandise is transshipped using more than one method of transport. It is an alternative document to the traditional B/L. With the global increase in container shipments, combined transport B/Ls are very common and many banks do not require special authorization to be granted in your LC for their use.

Air Waybill
Though less widely used than sea transport, airfreight is a growing export medium. The B/L equivalent for airfreight is an air waybill (AWB). It is not a document of title and is non-negotiable, but is a receipt issued by the shipper carrying goods by air.

Post parcel receipt
Very similar in concept to the Air Waybill, the post parcel receipts (PPR) is a receipt of good exported, although the quantity shipped is usually small comparison. Unless the export items are under L/C, it is recommend that the items are dispatched to the buyer’s bank.
Bill of exchange
Once the goods have been shipped, the letter of credit can be released from the issuing bank to the negotiating bank, through a foreign exchange bank or a foreign bank branch.

The exporter issues a bill of exchange and submits this to the foreign bank along with the shipping documents, letter of credit and any other documents required.

Documentary discrepancies
Most documentary discrepancies will ultimately affect the disposition of the letter of credit, the most common form of payment in international purchases.

Millions of dollars are wasted each year in time, correspondence and delays because of mistakes in documentation or non-compliance with the document requirements, stipulated by the L/C. These unnecessary costs are amplified by bank charges for making amendments to or attempting to rectify irregularities in the L/C.

Three different banks are usually involved in each L/C transaction:

- The issuing bank (the buyer’s bank).
- The advising bank (the issuing bank’s branch in the exporter’s country).
- The negotiating bank (the bank to whom the beneficiary presents his documents for payment under the L/C).

Some transactions involve only an issuing bank and a negotiating bank.

One of the functions of banks dealing with L/Cs is to scrutinize the terms of the L/C and compare these items with the documentation submitted by the supplier. While banks don’t concern themselves with the conditions of the goods, they must ensure that all terms and documentary requirements are met.

If the documents are all in order and are presented within the stipulated time, the bank will make the payment. Irregularities that might prevent a bank from making payment do not necessarily have to be egregious errors; email technical irregularities, spelling errors or even the transposition of a letter within a word are sufficient to constitute a discrepancy.

Discrepancies such as these result in higher interest paid, the loss of the exporter’s insurance premium, additional demurrage and warehousing charges for goods stranded at the warehouse, as well as other indirect costs resulting from delayed shipments.

Causes of discrepancies
Some of the most common causes of discrepancy between the terms of the letter of credit and the documents tendered by suppliers include:

- Certain documents are missing or inconsistent with each other due to conflicting dates, significant or descriptions of merchandise.
- Insurance certificate does not comply with the conditions of L/C.
- A clean “on board” bill of lading is not tendered.
- Shipping marks and number do not coincide on all the documents.
- Monetary amounts shown on the invoice or the draft differ or exceed the amounts specified by the L/C without authorization.
- Shipment is made between ports other than those stated in the L/C.
- Documents are tendered after the L/Cs expiration date.
- Documents are presented long after the bill of lading has been issued.
- Bill of lading does not bear a “shipped on board” stamp.
- Shipper has made as those result or a partial shipment, even though prohibited by the L/C.
Settling trade disputes

Trade disputes are common in India but can be minimized or avoided with extra care. Going through the process of settling trade disputes can be a frustrating experience and buyers not willing to spend time and money on disputes that could take years to resolve can choose other options to settle the disagreement.

Trade disputes arise for various reasons. Even if both parties involved have acted conscientiously and in good faith, problems can emerge. The very complexity and multifaceted nature of an international sales contract, involving a number of provisions, such as transportation, banking, insurance etc., presents many opportunities for misunderstanding. Quality standards and their interpretation differ from country to country, as do commercial practices. However, such problems usually can be minimized and court cases should be avoided at all costs.

India’s lingering reputation for inferior quality, inconsistency and unreliable shipment has hurt its export drive. Despite improvements in quality and the ability of suppliers to produce quality goods on time, buyers are still wary when it comes to making purchases. Late delivery and inconsistent quality are two problems regarding attention.

While every trade dispute has its own particular circumstances and unique characteristics, trade disputes in India are usually due to the following:

- Non-shipment or delay in shipment
- Price increase
- Inferior quality
- Shortages

Non-shipment or delay in shipment

A delayed or cancelled shipment is a major cause of concern to foreign buyers. Direct financial loss can be avoided if payment of the letter of credit depends on the supplier meeting a specified shipment date, unless the goods go adrift during shipment, which is beyond the control of the supplier and would likely be the subject of a dispute with the shipper or an insurance claim.

The buyer and supplier maintaining a good relationship or having a reliable agent monitor the production process is necessary to avoid this problem. The supplier or agent can inform the buyer that the shipment could be delayed to enable the buyer to adjust the planned sales schedule.

Three ways to resolve trade disputes

Option 1: Conciliation

- The cheapest and the most typically beneficial option in a long-term trading relationship.
- Conciliation allows for fast resolution of conflicts.
- The New Delhi-based International Center for Alternative Dispute Resolution (ICADR) is an autonomous organization under the Ministry of Law and Justice that promotes the settlement of international and domestic disputes.

Option 2: Arbitration

- Arbitration may be more time consuming but is effective and is considered the next best option.
- The Indian Council of Arbitration (ICA) – an autonomous body under the Department of Commerce – is the primary vehicle for settling disputes that cannot be amicably resolved by a third party.

Option 3: Litigation

- Should be avoided unless the aggrieved party has several years and financial resources to spend on the matter.
- India’s courts are overworked, under-staffed and slow-moving. India was ranked the sixth slowest country in the world based on the number of days it takes to resolve a dispute, according to the World Bank.
- ICA and other government trade-related bodies can provide the buyer with a list of legal firms and recommendations for representation if arbitration is impossible.
Price increase
Foreign exchange fluctuations provide another potential cause of trouble. Unforeseen hikes in the cost of imported components may leave the manufacturer little choice but to renegotiate the price of finished goods at a later stage.

This is reasonable and if there is any doubt about the increase, it can be checked to a certain extent by the importer. Careful selection of a supplier should help avoid problems. But if price hikes are unable to be adjusted, a victim may find legal action as the only course to attempt to recover lost potential profits or to be recompensed for a damaged reputation.

Inferior quality
If the consignment is in the right quantity but suffers from quality problems – such as color decay, damage, dents, stains, substandard materials, deterioration in quality, or defective packing – the answer should lie in the contract. The contract should specify a period of time (30 days, for example) during which a claim should be made. A safeguard against these difficulties is to have the consignment tested or inspected before shipment, although this does not necessarily cover all contingencies.

These problems are common in international trade. They rarely stem from malicious intent, but if they do occur from dishonesty, they can be difficult, long and expensive to solve with a resolution coming only through a civil court case.

Fortunately, most cases can be resolved more cheaply and amicably through conciliation or arbitration, two processes which can go hand-in-hand.

Shortages
For many small items bought in international transactions, there is often a negligible difference between the quantity ordered and the quantity shipped. Depending on what kind of goods they are, a small difference is usually acceptable. The maximum percentage acceptable to the buyer can be specified in the contract.

Copyrights
India's Copyright Act of 1957 generally conforms to the Universal Copyright and Berne Conventions and provides for both civil and criminal penalties for copyright infringement.

Penalties for the unauthorized copying of computer software were also added by the Information Technology Act of 2000 and can carry up to $240,000 in fines for unauthorized copying, according to a 2013 U.S. Department of Commerce report.

However, inadequate resources are being devoted by the Indian government to copyright enforcement programs. The nature of the Indian judicial procedures can make it difficult to prove infringement and enforce the law.

The Indian Constitution delegates the enforcement of copyright laws to state governments. For example, the Central Bureau of Investigation (CBI) does not pursue Intellectual Property Rights cases even though it has international jurisdiction.

The country is making strides toward stricter copyright laws. In 2012, the Copyright Act of 1957 was amended to make Indian Copyright Law compliant with the WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT).

Trademarks
The India’s Parliament passed the Trade Marks (Amendment) Bill of 2009, making the country in better compliance with international standards for granting and filing trademarks.

Before the bill was passed, Indian law required applicants to approach different countries in different languages with a separate fee for each. Today, trademarks can be filed using a single application in the 84 member countries of the Madrid Protocol, according to a 2013 report by the United States Department of Commerce.

Patents
Pharmaceutical products, agro-chemical products and software embedded in hardware can be patented in India. However, the interpretation and application of patent law lacks clarity in several areas including compulsory license, defining the scope of patentable inventions and pre-grant opposition provisions.

Indian law “does not protect against the unfair commercial use of test data or other data submitted to the government during the application for market approval of pharmaceutical or agro-chemical products,” according to a 2013 United States Department of Commerce report.
Product gallery

Choose from our gallery of innovative products from India as featured on www.GlobalSources.com.
For more India suppliers and their latest products, visit www.DevelopingCountrySourcing.com.

Hammered copper Moscow Mule mug

This 16oz mug from Maqbool Hussain & Company of Moradabad, India, is made from solid copper with a brass handle. With a divoted surface, this tactilily pleasing mug is eco-friendly, corrosion-resistant and requires low maintenance. Customization is available to ensure the mug is suitable for buyer’s requirements.

CONTACT SUPPLIER

Restaurant-grade stainless cookware

The four-utensil stainless steel cookware set from JK Stainless of India is ideal for all your key kitchen tasks with a restaurant-grade boiling pot, two sauce pans and a frying pan. Its stainless steel ensures it will appear brand new with little maintenance and can endure even the harshest treatment.

CONTACT SUPPLIER

Fine cotton multicolored checkered handbag

This multicolored checkered handbag from Think Fashion of India is made of quality cotton fabric. The spacious bag comes in measurements of 14x14x5.25in. Its strong stitching gives it a perfect and durable finish. The bag can be paired with a variety of clothing due to its varied color scheme. A wide range of designs is available. Think Fashion specializes in bags, wallets, belts and leather garments.

CONTACT SUPPLIER

Customizable pure silk floral scarf

The model UCR 0500 silk scarf from India’s INDMODE is 100 percent silk. This scarf with floral patterns measures 50x180cm. This accessory, which is available in a variety of shades, can be teamed up with both casual and formal wear to add elegance and style to an ensemble. Customized silk scarves and stoles can be made to meet buyers’ requirements.

CONTACT SUPPLIER
Wooden jewelry box
The model RPBHH_CJB01 from India’s Minertz International is a wooden jewelry box that can double as a chest. It features intricate multicolor details on its painted surface.

The minimum order requirement is 100 pieces.

Digitally printed cricket uniform
Triumph Sportswear Design Studio Pvt Ltd of India offers digitally sublimated cricket uniforms made of 160gsm 100% polyester.

Colors and logos can be customized according to buyer’s requirements. Printing of player names and numbers is also accepted.

Handloomed cotton pareo
India’s Lowell Designer Craft offers model FAP03340, a handloomed pareo made of cotton. It measures 180x110cm and weighs 200g. The beachwear is available in different colors and styles.

The supplier’s minimum order requirement is 500 pieces.

Handmade leather shoes
The model Taurus-001 from India’s Tarus Handmade Leather Shoes has a cow leather upper and TPR soles. Size 6 to 11 are available.

The company exports mainly to Asia.
# Appendix

List of Special Economic Zones (SEZ) in India

<table>
<thead>
<tr>
<th>Special Economic Zone (SEZ)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cochin Special Economic Zone</td>
<td>Located in the state of Kerala in southwest India, this zone has 138 units in sectors such as gems and jewelry, plastic and rubber products.</td>
</tr>
<tr>
<td>Falta Special Economic Zone</td>
<td>Falta Special Economic Zone, located in West Bengal, began operating in January 1986. There are 78 units in operation, with sectors including plastic, rubber, leather, sporting goods, textiles and gems &amp; jewelry.</td>
</tr>
<tr>
<td>Indore Special Economic Zone</td>
<td>The Indore Special Economic Zone has sectors including plastic, metals, textiles and jewelry.</td>
</tr>
<tr>
<td>Jaipur Special Economic Zone</td>
<td>This zone has sectors including gems and jewelry, textile and garments, as well as stones and stonework.</td>
</tr>
<tr>
<td>Kandla Special Economic Zone</td>
<td>Kandla Special Economic Zone was established in 1965 as the first export zone set up in India. It has sectors for iron, steel and textiles.</td>
</tr>
<tr>
<td></td>
<td>Today, KASEZ is considered India’s largest multi-product SEZ with over 1,000 acres and 142 performing units.</td>
</tr>
<tr>
<td>Madras Special Economic Zone</td>
<td>Also known as Madras Export Processing Zone, this zone in Chennai was established in 1984.</td>
</tr>
<tr>
<td>Mahindra City Special Economic Zone</td>
<td>The Mahindra City Special Economic Zone has sectors including IT, hardware, bio informatics, apparel and fashion accessories, and automobile.</td>
</tr>
<tr>
<td>Manikanchan, Salt Lake Special Economic Zone</td>
<td>Close to Kolkata’s airport and central business district, this zone is focused on the jewelry and gems sector.</td>
</tr>
<tr>
<td>Moradabad Special Economic Zone</td>
<td>The handicraft sector is concentrated in Moradabad in Uttar Pradesh.</td>
</tr>
<tr>
<td>Noida Special Economic Zone</td>
<td>The jurisdiction of Noida Special Economic Zone is spread over EOUs in nine states: Jammu &amp; Kashmir, Himachal Pradesh, Punjab, Haryana, Rajasthan, Delhi, Uttar Pradesh, Uttarakhand and Union Territory of Chandigarh. Its sectors specialize in jewelry.</td>
</tr>
<tr>
<td>Nokia Special Economic Zone</td>
<td>Located in Srirperumbudur, Tamil Nudu, this area has sectors dedicated to telecom equipment and R&amp;D services.</td>
</tr>
<tr>
<td>Salt Lake Electronic City - WIPRO, West Bengal</td>
<td>This zone in Kolkatta has sectors in software development and Information technology enabled service.</td>
</tr>
<tr>
<td>SEEPZ Special Economic Zone</td>
<td>SEEPZ is a multi-product SEZ established in 2000. It is six kilometers away from Mumbai’s international airport and 30 kilometers from its seaport. There are 23 SEZ units under its jurisdiction.</td>
</tr>
<tr>
<td>Special Economic Zone (SEZ)</td>
<td>Description</td>
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<td>------------------------------------------------</td>
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</tr>
<tr>
<td>Surat Apparel Park</td>
<td>This zone, which specializes in garments and textiles, is located south of Surat.</td>
</tr>
<tr>
<td>Surat Special Economic Zone</td>
<td>Surat Special Economic Zone is a multi-product zone with manufacturing, trading and service units. It currently has more than 120 units operating and exporting to various countries. Sectors include textile, garments, houseware, gems and jewelry.</td>
</tr>
<tr>
<td>Visakhapatnam Special Economic Zone</td>
<td>Visakhapatnam is a major industrial center in the state of Andhra Pradesh. This zone has 95 units listed, including sectors such as port and shipping, oil refinery, steel, fertilizer and heavy engineering.</td>
</tr>
</tbody>
</table>

Source: Ministry of Commerce and Industry, Department of Commerce
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