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MCCIA[®]
MSME Helpline

FAQs 2.0

ON EVERY CRUCIAL
BUSINESS AREA—
FROM STARTING UP
TO SCALING UP


BUSINESS SETUP &
COMPLIANCE


GOVERNMENT
SCHEMES


FINANCE


GST


MARKETING &
BRANDING


GeM


IMPORT-
EXPORT

A Publication by

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MSME Helpline



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Disclaimer : While we have tried to take reasonable care to provide answers to the “Frequently Asked Questions”, the readers are advised to verify the correctness through their own due diligence. This document should be treated only as a Useful Reference Material. If you notice any improvements to be desired in any of the answers, kindly reach out to us at the Maharashtra Chamber of Commerce, Industries and Agriculture, msmehelpline@mcciapune.com. This will help us to improve the document for the future readers.

BUSINESS SETUP & COMPLIANCE

1. While starting a new business, what are the essential documents, licenses, and permissions I need to apply for?

Essential registrations for most businesses include:

A. Basic Registrations (for most businesses)

- a. PAN Card – for taxation purposes
- b. TAN Card – required if deducting TDS
- c. Udyam Registration – for MSME benefits
- d. GST Registration – mandatory if turnover exceeds ₹40 lakhs (goods) or ₹20 lakhs (services)
- e. Professional Tax Registration – required in if you have employees

B. Location-Based Licenses

- a. Shop & Establishment License
- b. Municipal Trade License
- c. Factory License (for manufacturing units)

C. Industry-Specific Permissions (as applicable):

Like FSSAI, BIS and pharmaceuticals, etc.

2. What are the documents I need to apply for meeting environment regulations?

Key Documents & Approvals for Environmental Compliance

- Consent to Establish (CTE) – required from the state pollution control board before setting up a manufacturing unit
- Consent to Operate (CTO) – mandatory before starting operations
- Authorisation under Waste Management Rules – needed for handling hazardous, e-waste, plastic, or biomedical waste.
- Environmental Impact Assessment (EIA) – required for large-scale or high-impact projects such as mining, heavy industries, and major infrastructure.
- Water Act Consent – approval under the Water (Prevention and Control of Pollution) Act, 1974, if there is effluent discharge.
- Air Act Consent – approval under the Air (Prevention and Control of Pollution) Act, 1981, if operations cause air emissions.

These approvals apply based on the nature, size, and environmental impact of the business.

A comprehensive starter guide for aspiring entrepreneurs, this section answers key questions on choosing the right business structure, legal registration, multi-vertical operations, post-incorporation compliance, and brand protection. It also covers licences, agreements, and compliance tips for service startups—equipping MSMEs with practical insights to launch and manage a legally sound and scalable enterprise.



From all the queries
14% of queries
were from this
domain.

3. At what stage should a business consider moving from a proprietorship to a formal structure like an LLP or Private Limited Company?

When can you transition from Proprietorship to a Formal Structure -

- When your annual turnover crosses ₹50 lakhs – ₹1 crore
- When you plan to bring in partners or co-founders
- When seeking external funding or bank finance
- When stronger credibility and a legal identity is required

4. What are the implications of operating as an HUF (Hindu Undivided Family) versus other business structures?

Implications of operating as an HUF:

Advantage	Limitations	Comparison
Treated as a separate tax entity with its own PAN	No limited liability – Karta has unlimited personal liability	Unlike proprietorship – involves multiple family members
Gets separate tax slabs, deductions, and exemptions	Cannot normally be a partner in a partnership firm	Unlike partnership/company – not a contractual entity
Can run a business like a proprietorship	Cannot directly hold shares as a shareholder in a company	Less flexible for external funding or expansion
Eligible for GST registration and other business licenses	Ownership and control are restricted to family members only	

5. How do I transfer assets, contracts, and liabilities while changing business structure?

Compliances while changing business structure:

Category	How It Is Done
Core Transfer Document	Execute a Business Transfer Agreement (BTA) between old and new entity specifying assets and liabilities
Movable Assets	Transfer through sale/transfer agreement with proper invoices and records
Immovable Assets	Execute registered sale deed, pay stamp duty and registration charges
Intellectual Property	Execute IP assignment agreements and update records with respective authorities
Customer/Supplier Contracts	Transfer via novation or assignment with consent of all parties
Banking	Close old accounts and open fresh accounts in the new entity's name
GST Compliance	Cancel old entity GST after final returns and within 30 days of such a change in structure, apply for fresh GST registration
Other Licenses	Surrender old licenses and obtain new registrations (Entity-specific licenses cannot be directly transferred)

6. What is the process to add new business activities or change the main business activity after incorporation?

For Companies and LLPs, business activities are defined in the Object Clause of the Memorandum of Association (MoA) or LLP Agreement. Any addition, alteration, or change requires formal amendments. Steps to Amend Object Clause:

- First check whether the new activity is already covered under existing objects
- If covered – you can start the activity (subject to required licenses).
- If not covered – formal amendment is required.
- Pass Board Resolution approving the change
- Issue notice to shareholders
- Pass Special Resolution (75% majority) in General Meeting
- File Form MGT-14 with ROC within 30 days with - Altered MoA and Resolution copy

These are the general steps that are followed. Requirements may change based on the company/ firm structure.

7. What is the process for adding or removing partners/directors after registering the business or post commencement of operations?

Adding or removing directors and partners requires proper legal documentation and timely filings.

	For Companies (Private/Public Limited)	For LLPs	For Partnership Firms
Add a Director/ Partner	Pass Board Resolution → Obtain consent in Form DIR-2 → Ensure valid DIN (apply via DIR-3 if required) → declaration of non-disqualification (DIR-8) → File DIR-12 with MCA within 30 days of appointment/cessation → Update statutory registers → update details with Bank, GST and other regulatory bodies.	Allot DPIN and take consent of incoming partner → Execute supplementary LLP Agreement → Obtain/confirm DPIN → File Form 3 and Form 4 with MCA within 30 days	Execute supplementary partnership deed reflecting changes
Remove a Director/Partner	Board Meeting → Shareholder approval in EGM (special resolution if required) → Give director right to be heard → File DIR-12 for cessation within 30 days	Execute retirement/ removal deed → Amend LLP Agreement → File Form 3 and Form 4	Execute supplementary partnership deed reflecting changes
Post- Change Updates	Update company records, bank mandates, GST and other registrations if required	Update GST, bank accounts, contracts, and other registrations	Update PAN, GST registration, bank accounts, and local licenses

8. For a private limited firm how do I structure equity distribution among founders, and what are vesting clauses?

To Decide Equity Split:

- Divide equity based on role, responsibility, time commitment, expertise, and capital contribution
- Equal split works only if all founders contribute equally
- Unequal split is more practical when roles differ
- Typically, 10–15%, but may vary based on hiring and investor requirements
- Expect 15–25% dilution per funding round

Vesting means founders earn their equity over time instead of getting it all upfront. Vesting protects the company if a founder leaves early or stops contributing.

9. Do compliances change after I cross a certain threshold of turnover?

Yes, compliances change after a certain threshold of turnover:

Area	Threshold	What Changes
GST	₹40 lakh (goods) / ₹20 lakh (services)	GST registration becomes mandatory, and regular return filing is required
Income Tax	₹1 crore (business) / ₹50 lakh (professionals)	Tax audit becomes compulsory, more documentation required
Company Compliance	Higher turnover/borrowings	Additional governance rules like internal audit, secretarial audit, and CSR obligations
Employee Laws	Increase in employee count	PF, ESIC, and labour law compliances apply

10. How do I decide which license to apply for, the Factories Act or the Shops and Establishments Act?

Both licenses serve a different purpose:

Criteria	Factory License (Factories Act, 1948)	Shops & Establishment Registration
Nature of Activity	Manufacturing, processing, assembling, altering goods	Trading, services, office work, shops, restaurants, hotels
Worker Requirement	10+ workers with power or 20+ workers without power	Even 1 employee is enough in many states
Authority	State Directorate of Industrial Safety & Health / Chief Inspector of Factories	State Labour Department / Local authority
Compliance Level	Strict safety rules, factory plan approval, inspections, statutory registers	Simple compliance, minimal safety requirements
Approval Process	Detailed process (≈ 30–60 days)	Simple and usually online
When Required	If primary activity is manufacturing	If business is commercial or service-based
Special Case	May also need license under Shops and Establishments Act for office/showroom area	May be required along with factory license in mixed operations

11. How do labour codes affect MSMEs?

India merged 29 labour laws into 4 Labour Codes — Wages, Industrial Relations, Social Security, and Occupational Safety. (Implementation depends on state rules.) Impact on MSMEs:

- Code on Wages: Universal minimum wage and timely salary payment (by the 7th of the next month).
- Industrial Relations Code: More flexibility, retrenchment and standing order threshold increased to 300 workers; allows fixed-term employment.
- Social Security Code: Expands PF/ESI and benefits to gig and unorganised workers → may increase employer costs but simplifies compliance.
- OSH Code: Higher registration thresholds and reduced paperwork through single annual returns.

12. Do I need the Shop & Establishments act registration for an e-commerce business?

Yes, Shop & Establishments registration is generally required for e-commerce businesses, even if you don't have a physical retail shop. Even home-based e-commerce operations usually require registration if employees are engaged or regular business hours are maintained

13. What is the difference between a Shareholders' Agreement and Articles of Association?

Difference between a Shareholders' Agreement and Articles of Association is:

Basis	Articles of Association (AoA)	Shareholders' Agreement (SHA)
Nature	Statutory legal document under the Companies Act, 2013	Private contractual agreement
Filing	Filed with Registrar of Companies (ROC); public document	Not filed with ROC; confidential
Purpose	Defines the company's internal rules and governance structure	Defines the rights and obligations of shareholders
Scope	Management structure, director powers, share transfer, voting, dividends	Investor rights, founder vesting, transfer restrictions, exit rights, dispute resolution
Binding On	The company and all shareholders	Only parties who sign the agreement
Amendment	Requires special resolution and ROC filing	Can be modified by mutual agreement of the parties

14. What are the compliances to be made while expanding the team beyond 10 employees?

List of Compliances to take care while expanding beyond 10 employees includes:

- ESIC (Employee State Insurance) - 10+ employees (in notified areas, salary up to ₹21,000/month)
- Provident Fund (PF) - Generally 20+ employees (10 in some sectors)
- Gratuity - 10+ employees at any time
- Professional Tax - Applicable states
- Shops & Establishments Act - When hiring employees
- TDS on Salaries - When paying taxable salaries
- Statutory Records - After hiring employees

15. What are some best practices to follow for smooth statutory audits and inspections?

Best Practices:

- Record Keeping - Maintain organised books of accounts, invoices, bank statements, statutory registers, contracts, and licenses.
- Regular Reconciliation - Reconcile bank, GST, TDS, and stock records monthly/quarterly to detect errors early.
- Timely Filings - File GST, tax, and statutory returns on time to avoid penalties and scrutiny.
- Proper Documentation - Ensure every transaction has supporting proof.
- Internal Audits - Conduct periodic internal checks to identify and fix compliance gaps.
- Auditor Coordination - Appoint auditors early and keep them informed throughout the year.
- Inspection Readiness - Keep premises compliant, licenses displayed, safety measures in place, and labour records updated.

16. What is TDS, and when does my business need to deduct and deposit it?

TDS (Tax Deducted at Source) is a system where the payer deducts tax from certain payments and deposits it with the government on behalf of the recipient. TDS applies:

- If your business is liable for a tax audit (turnover above ₹1 crore for business or ₹50 lakh for profession).
- When making specified payments above prescribed limits, such as:
- Salary (based on applicable income tax slab rates after considering deductions, exemptions and declarations)
- Professional/technical fees (10%)
- Rent (10%)
- Contractor payments (1–2%)
- Commission (5%)
- Interest (10%)
- You must obtain a TAN, deduct TDS at payment or credit, deposit it by the 7th of the next month, file quarterly TDS returns, and issue certificates (Form 16/16A).

17. What to take care of while drafting a contract with a client to minimise legal disputes?

Key points while drafting a client contract:

- Identify Parties Clearly – include full legal details of both parties.
- Define Scope of Work – specify deliverables, quality standards, and timelines that can be met with ease. (include buffer time period if required)
- Payment Terms – mention fees, milestones, due dates, and penalties for delay.
- Timelines & Deliverable Acceptance – include approval/rejection process and delay provisions.
- Intellectual Property & Confidentiality – clarify ownership and data protection.
- Liability & Indemnity – limit liability and allocate risk for losses or claims.
- Termination Clause – defines exit rights and conditions.
- Dispute Resolution – specify governing law, jurisdiction, or arbitration.
- Proper Execution – the contract must be signed by authorised representatives.
- Include the "Force Majeure" clause to inform the client about the delay in the supply of goods and services due to unforeseen circumstances that are beyond the reach of the supplier.
- If the contract is for import-export, take additional precautions

18. What rules and regulations must be followed when receiving international payments or exporting goods?

Ans - Rules for receiving international payments/ exporting goods are:

Regulatory Framework – Follow FEMA, RBI guidelines, Customs Act, and Foreign Trade Policy.

Export Documentation – File shipping bill and obtain Let Export Order (LEO) from Customs.

Repatriation of Payment – Export proceeds must be received in India within 9 months of export.

Proof of Payment – EBRC can be generated by the exporters, which acts as proof of realisation.

GST Compliance – If GST is paid in full at the time of the export, exporters can claim a full refund of the same (usually via LUT) (0.1% payment of GST)

RBI Reporting – Export transactions generated through RBI are monitored through the exporter's bank, referred to as an authorised dealer.

19. What is the difference between authorised capital and paid-up capital, and when to increase it?

Difference between Authorised Capital and Paid-Up Capital

Basis	Authorized Capital	Paid-Up Capital
Meaning	Maximum share capital a company can legally issue (as per MoA)	Actual money received from shareholders
Nature	Only a limit or ceiling	Real funds invested in the business
Amount	Can be higher	Always \leq authorised capital
Purpose	Shows the company's capacity to raise funds	Shows actual financial strength

20. Is factory license renewal mandatory every year?

Yes, factory License must be renewed periodically, and in most states this is annual, though some states allow multi-year renewals (3–5 years) for compliant factories. You must apply for renewal at least 30–60 days before expiry with the Chief Inspector of Factories or the State Directorate of Industrial Safety & Health. The renewal application typically requires disclosure of any changes in machinery, workforce strength, layout, or manufacturing process, along with updated documents such as Pollution Control Board consent, fire safety certificate, boiler/electrical safety certificates (where applicable), and payment of renewal fees.

21. Do MSMEs also need to have insurance and which insurance is required?

Yes, MSMEs should have insurance to protect against business, employee, asset, and liability risks. While most insurance is not legally mandatory, some are compulsory under specific laws. List of Mandatory Insurance:

- Employees' Compensation Insurance - If you have employees (covers workplace injury/death)
- Motor Vehicle Insurance - For commercial vehicles
- Public Liability Insurance - For factories handling hazardous substances



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GOVERNMENT SCHEMES

1. How do I access information about various government schemes for various businesses?

You can visit central portals like the MSME Ministry website (msme.gov.in) for MSME schemes and Startup India (startupindia.gov.in) for startup-specific benefits, funding, and tax exemptions. Check your State Industries/MSME Department website or visit the District Industries Centre (DIC), which acts as a single-window guide for subsidies and schemes of the respective State Government.

2. What is the difference between PMEGP, CMEGP, and Stand-Up India? Which one should I apply for?

Difference between PMEGP, CMEGP and Stand-Up India:

Scheme	Prime Minister's Employment Generation Programme (PMEGP)	Chief Minister Employment Generation Programme (CMEGP)	Stand-Up India (Currently, this scheme is on hold, and the Finance Minister has informed that it will be relaunched soon)
Who It's For	New entrepreneurs across India	New entrepreneurs in Maharashtra only	SC/ST and Women entrepreneurs
Funding Support	15–25% subsidy; loans up to ₹25 lakh (manufacturing/service)	25–35% subsidy; loans up to ₹25 lakh (manufacturing/service)	Loans from ₹10 lakh to ₹1 crore (no subsidy)
Best For	Small businesses need subsidy support	Starting a business in Maharashtra with a subsidy benefit (which will be available at the end of the third year of the loan period).	Larger funding needs and greenfield projects

Government Schemes

A concise reference for MSMEs seeking government support, this section outlines key schemes like Udyam Registration, CGTMSE, PMEGP, Stand-Up India, and ZED Certification. It highlights funding opportunities, subsidies, credit access, export assistance, and technology upgrade incentives—equipping entrepreneurs to navigate the ecosystem of central government benefits effectively.



From all the queries **25%** of queries were from this domain.

3. What documents are mandatory for all scheme applications?

Mandatory documents for all scheme applications:

- Identity & Address Proof - Aadhaar, PAN, and Voter ID/Passport/Driving License
- Educational Proof - Qualification certificates (often minimum 8th pass)
- Category Proof (if applicable) - Caste certificate (SC/ST/OBC), income certificate (EWS), disability certificate if applicable.
- Business Documents - Udyam/MSME registration, project report (DPR), supplier quotations, bank details, business registration documents
- Premises Proof - Ownership papers or rent agreement with owner's NOC
- Other Supporting Documents - GST registration, trade license, training certificates, photos, self-declarations

4. What is the typical timeline for government scheme approval and fund disbursement after I submit my application?

Timelines for government loan and subsidy schemes vary by scheme and agency but generally follow a predictable flow. General timeline:

Stage	Time Taken
Application Scrutiny	15–30 days
Project Appraisal	30–45 days
Final Approval	30–60 days
Total Approval Time	2–4 months (approx.)
First Fund Disbursement	15–30 days after approval (depends on the nature of the scheme)
Full Fund Release	4–8 months (based on project progress)

5. If my loan or subsidy application is rejected, can I reapply?

You can reapply after rejection once the issues are corrected

- Ask reasons for rejection from the bank/agency (e.g., incomplete documents, weak project report, credit issues or any other reasons)
- Correct the problems — submit missing documents, improve DPR, fix credit score, add guarantor if needed.
- Reapply with a fresh application and mention improvements made.
- Some schemes allow immediate reapplication, while others may require a 3–6 month gap.
- You may also try a different bank or alternative scheme.

6. What should I do to make sure my scheme application is approved?

To improve chances of approval of scheme application:

- Check eligibility carefully — ensure your business qualifies under the scheme.
- Prepare a strong Detailed Project Report— realistic financials, market analysis, and clear plan.
- Submit complete documents — avoid missing or inconsistent details.
- Maintain a good credit score (650+ preferred) and clean banking history.
- Attend required training (e.g., EDP/RSETI for schemes like PMEGP).
- Attach supporting proof— quotations, demand evidence, certificates.
- Follow up and respond promptly to queries from authorities.
- Demonstrate clear business knowledge during interviews or site visits.

7. Can I transfer scheme benefits if I change my business structure (e.g., from Proprietorship to Private Limited)?

No, the scheme benefits are generally not automatically transferable when you change your business structure, because loans and subsidies are sanctioned to a specific legal entity. Converting a proprietorship into a partnership, LLP, or company creates a new entity, and benefits do not carry forward by default. Possible options:

- Seeking loan assumption/transfer from the bank, which may be approved if promoters remain the same, the project continues unchanged, and the new entity meets credit norms, this is entirely at the bank's discretion.
- You may repay the existing loan and apply afresh under the new entity. If the scheme's lock-in period (3–5 years) is not completed, structural changes can trigger subsidy recovery unless prior approval is obtained.

8. What is the maximum loan amount under each Mudra category?

Mudra Loan (Micro Units Development and Refinance Agency) provides collateral-free financing to micro enterprises through three categories based on business stage and funding needs.

- Shishu loans (up to ₹50,000) support early businesses such as home-based units, street vendors, and small service providers for initial setup, equipment, or working capital.
- Kishore loans (₹50,001–₹5 lakh) are meant for established businesses seeking growth or expansion, like inventory buildup or machinery upgrades.
- Tarun loans (₹5–10 lakh) cater to mature businesses planning major expansion or diversification; collateral may be required depending on the bank.

9. What is DPIIT (Department for Promotion of Industry and Internal Trade) recognition under the Start Up India Registration?

DPIIT Recognition (by the Department for Promotion of Industry and Internal Trade) is an official Startup status granted under the Government of India's Startup India initiative.

- To be eligible:
 - Entity must be a Private Limited Company, LLP, or Partnership firm
 - Incorporated in India and less than 10 years old
 - Annual turnover below ₹100 crore
 - Working on innovation or technology-driven products/services
- Key benefits:
 - 3-year income tax holiday (Section 80-IAC)
 - Self-certification under select labour and environmental laws
 - 80% rebate on filing fees and fast-track patent processing
 - Relaxation in government tenders
 - Eligibility for Startup India Seed Fund (up to ₹50 lakh)
 - Access to incubators, mentors, and networking support

10. Are there separate schemes or higher subsidies available specifically for SC/ST/Women/Differently-abled entrepreneurs?

Yes, special category entrepreneurs, SC/ST/OBC/Minorities/Women/ Differently-abled/ Ex-servicemen, receive higher subsidies, priority, and dedicated support under many government schemes.

- Higher Subsidies (PMEGP) - Eligible beneficiaries receive higher margin money subsidies of 25% in urban areas and 35% in rural areas, compared to general category applicants. Dedicated Schemes
- National SC-ST Hub – procurement support and market access
- TREAD Scheme (Trade Related Entrepreneurship Assistance and Development) – Offers funding support for women entrepreneurs through NGOs for training, counselling and project funding.
- ASPIRE Scheme – support for innovation and agro-based businesses
- Government Procurement Benefits - 4% reservation for SC/ST MSEs and 3% reservation for women-owned enterprises

11. What is a Detailed Project Report (DPR), and how should I write it?

A Detailed Project Report (DPR) is a structured document that explains your business idea, feasibility, financial viability, and execution plan. It is the most critical document for government schemes and bank loans, as approvals largely depend on its quality. A good DPR typically includes:

- Executive Summary
- Promoter Profile
- Product/Service Description
- Market Analysis
- Technical Details
- Project Cost & Financing
- Financial Projections
- Implementation Schedule
- Risk Analysis

Use clear language, realistic projections, and data-backed assumptions.

12. If my business is registered in one state but I want to operate in another, which state's schemes apply?

Central schemes like Mudra, PMEGP, and CGTSME are pan-India and can be availed in any state, provided you apply through the bank or agency in the state where the unit is actually set up. In contrast, state government schemes (capital subsidy, interest subsidy, incentives) apply only to units registered within that state's territory. If you operate units in multiple states, each eligible unit may access schemes of its own state, subject to one-time benefit rules.

13. Do I need to submit utilisation certificates or audited reports after availing government schemes? What are the compliances?

Post approval compliance for government schemes:

- Utilization Certificates – Submit quarterly/annual reports showing how funds were used (with bills/invoices; sometimes CA-certified).
- Audited Financial Statements – Required annually for larger loans/subsidies.
- Progress Reports – Periodic updates on business operations, sales, and employment.
- Inspections – Banks/agencies may conduct physical checks to verify asset use and activity.
- Monitoring Period – Usually strict for first 2–3 years and continues till lock-in period (≈5 years).

Non-compliance may lead to: subsidy recovery with interest, loan recall, or legal action.

14. How to avail tax exemptions and rebates that are available for MSMEs?

MSMEs enjoy multiple tax benefits under Income Tax and GST by:

- Udyam Registration – Register on the Udyam portal to become eligible for MSME benefits. Presumptive Taxation (Sec 44AD) – Eligible businesses with a turnover of up to ₹2 crore can opt for presumptive taxation, declaring profits at 8% of turnover (6% for digital receipts), thereby reducing compliance requirements. GST Composition Scheme – Businesses with a turnover up to ₹1.5 crore can opt for this scheme to pay tax at a lower rate with simplified compliance and reduced filing requirements. Employee Deduction (Sec 80JJAA) – Businesses can claim a 30% deduction on additional employee cost for three consecutive assessment years, subject to prescribed conditions. Startup Tax Holiday – DPIIT-recognised startups get 100% tax exemption for 3 years. Maintain Compliance – Keep proper records and file income tax/GST returns on time.

15. If I face issues or delays with scheme processing, where can I file a grievance?

You can file grievances for delays and issues at:

- Bank Level – Escalate from the branch manager → regional office → bank grievance officer (for Mudra and some others)
- Implementing Agency – Contact scheme authority (e.g., KVIC, SIDBI, Coir Board).
- District Industries Centre (DIC) – File a complaint at the district level (single-window support).
- Online Portals
 - CPGRAMS – for central government scheme complaints.
 - MSME CHAMPIONS Portal – for MSME-related issues.

16. What are the MSE-GIFT and MSE-SPICE schemes?

MSE-GIFT and MSE-SPICE are two specialised sub-schemes launched in December 2023 under the MSME RAMP program to promote sustainability in India's Micro and Small Enterprises (MSEs)

Scheme	Key Support	Focus Area
MSE-GIFT (Green Investment & Financing for Transformation)	Interest subvention of up to 5% per annum on loans (up to ₹2 crore), along with credit guarantee support and awareness programs.	Solar energy adoption, pollution control measures, EVs, energy-efficient technologies.
MSE-SPICE (Promotion & Investment in Circular Economy)	25% capital subsidy on plant & machinery (up to ~₹50 lakh), capacity building	Recycling, waste management, use of waste as raw material (plastic, rubber, e-waste sectors)

17. What is Startup India, and how to avail the benefits?

Startup India is a Government of India initiative (launched in 2016) aimed at promoting innovation, entrepreneurship, and startup growth through tax incentives, funding support, and regulatory ease. Key Benefits

- 3-year income tax exemption (for DPIIT-recognised startups).
- Self-certification under selects labour and environmental laws.
- IPR benefits – 80% patent filing fee rebate and fast-track processing.
- Funding support: Startup India Seed Fund provides a grant up to ₹20 lakh for proof of concept/prototyping and convertible debentures or debt-linked instruments up to ₹50 lakh for scaling. Fund of Funds for Startups (FFS), which provides indirect equity funding through SEBI-registered Alternative Investment Funds (AIFs) (not direct loans or grants to startups)
- Relaxation from turnover criteria and exemption from earnest money deposit in government tenders, and easier compliance.
- To Avail Benefits
 - Register your business (Private Ltd, LLP, or Partnership).
 - Apply for DPIIT recognition on the Startup India portal.
 - Submit required documents and details of innovation.
 - After approval (usually 2–4 weeks), claim benefits through the relevant authorities.

18. How does the ZED Certification help MSMEs?

ZED (Zero Defect Zero Effect) Certification is a quality and environmental certification for MSMEs developed by the Quality Council of India under the Ministry of MSME. Key benefits include:

- Improves product quality and operational efficiency
- Aims to reduce defects, waste, and costs
- Enhances credibility and global competitiveness
- Preference in government procurement
- Government subsidy up to 80% of certification cost

19. How can manufacturers benefit from the Production Linked Incentive (PLI) scheme?

The PLI (Production Linked Incentive) scheme incentivises manufacturers to boost domestic production in priority sectors under Make in India. Benefit includes:

- Financial Incentives – Get a 4–20% incentive on incremental sales over a base year for 4–7 years.
- Boost Production & Scale – Encourages higher output, competitiveness, and domestic manufacturing.
- Multiple Sectors Covered – Electronics (mobile manufacturing & components), Pharmaceuticals (bulk drugs & formulations), Medical Devices, Automobiles & Auto Components, Telecom & Networking Products, Textile (MMF & Technical Textiles), Food Processing, White Goods (ACs & LEDs), High-Efficiency Solar PV Modules, Advanced Chemistry Cell (ACC) Batteries, Drones & Drone Components, and Specialty Steel. Open to MSMEs & Large Firms – Must manufacture in India, invest minimum capital, and meet sales targets.
- Minimum Investment Requirement – Varies by sector and firm size, typically ranging from ₹2–5 crore (for MSME-friendly sectors like drones) to ₹100 crore and above, and going up to ₹1,000+ crore in capital-intensive sectors like electronics, solar, and batteries. (Condition – Investment must be accompanied by incremental production and sales targets as specified under each sector's PLI guidelines.)

20. What is the role of DIC (District Industries Centre) in business setup and funding?

Ans - District Industries Centres (DICs) are district-level agencies that support MSME development. Their role includes:

- Single-Window Support – Helps with MSME registration and business approvals.
- Scheme Implementation – Nodal agency for schemes like PMEGP and state MSME incentives.
- Application & Funding Support – Scrutinises applications and coordinates with banks/committees.
- Entrepreneurship Development – Organise Entrepreneurship Development Programmes (EDPs) and awareness sessions (RSETIs are separate institutions but may work in coordination). Project Guidance: Assist in project identification, preparation of Detailed Project Reports (DPRs), and selection of appropriate technology. Credit & Market Support – Facilitates loans, buyer-seller meets, and procurement linkages.
- Grievance Redressal – Handles complaints related to scheme delays or issues.

21. What support does the government offer for resolving the delayed payment issues for MSMEs?

Ans - Delayed payments from large buyers strain MSME cash flows, and India addresses this through:

- MSMED Act, 2006 Protection - Buyers must pay MSMEs within 45 days. Delay may result in compound interest (3x bank rate) from day 46.
- Online Dispute Resolution (ODR)- File a dispute for delayed payments (free of cost). Provides conciliation and binding arbitration (usually 90–120 days).
- TReDS Platforms (RXIL, M1xchange, Invoicemart) – MSMEs can upload invoices raised on buyers (customers) and get them discounted, enabling early realisation of 80–95% payment upfront through financing organisations registered on the TReDS platform.
- MSME Samadhaan Portal (Now ODR) - Online complaint system to report delays and track cases.



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FINANCE

1. What is the difference between a working capital loan, a term loan, and an overdraft facility? Which one suits my business needs?

Key difference between working capital loan, overdraft and term loan:

Type	Purpose	Best Use Case
Working Capital Loan	Short-term funds for daily expenses (inventory, salaries, rent, suppliers)	Seasonal needs or regular operational costs
Term Loan	Long-term funding for assets (machinery, equipment, expansion, setup)	Business growth and capital investment
Overdraft (OD)	Withdraw beyond bank balance up to a limit	Managing cash flow gaps and payment mismatches

2. How do I negotiate payment terms with clients to protect my cash flow?

Choosing the right payment terms is a balance between protecting cash flow and staying competitive.

- Advance payments (20–50%) - reduce risk and fund upfront costs, ideal for new clients, high-value or customized orders, and situations where your working capital is tight.
- Credit periods (30–90 days) - common in B2B and should be negotiated based on your cash flow capacity, industry norms, and the client's creditworthiness, starting conservatively at 30 days and extending only after a reliable payment.
- Milestone-based payments - best for long projects, for example 30% advance, 40% at mid-milestone, and 30% on completion, ensuring steady cash flow.

This MSME-focused section answers key financial queries, including loan types, collateral-free credit options, government subsidies, and investor funding. It explains MUDRA loans, working capital finance, CIBIL scores, taxation benefits, and fintech platforms—equipping businesses to make informed financial decisions and access appropriate funding with clarity and confidence.

Finance



From all the queries **7%** of queries were from this domain.

3. What legal steps can I take to recover payments from clients who consistently delay beyond the agreed terms?

If a customer delays payment, steps to take:

- Initial Follow-up - Send polite reminders immediately after the due date via email or WhatsApp, followed by phone calls to understand whether the delay is genuine or intentional.
- Formal Demand - Issue a formal demand letter stating the outstanding amount, due date, delay period, interest (if applicable), and a clear payment deadline of 7–15 days.
- MSMEs can approach the concerned office of the chairperson of the divisional MSME Facilitation Council with a complaint about overdue payment on the Online Dispute Resolution Portal (ODR).
- Legal Notice - The next escalation is a legal notice through a lawyer, which often works as a strong deterrent.
- Legal Action - If unresolved, options include arbitration (if contract allows) or civil recovery suits, though these are time-consuming and costly.

4. Should I offer credit to customers or insist on advance payment?

A sound credit policy should balance growth with cash-flow safety. Start by assessing your working capital capacity, whether you can fund operations while waiting for customer payments and align terms with industry standards to stay competitive. Implement safeguards like customer-wise credit limits, early-payment discounts, security deposits, post-dated cheques, and credit checks using GST data or CIBIL reports. A balanced structure could be 30% advance, 50% on delivery, and limited credit for verified clients. Review performance regularly and monitor Days Sales Outstanding (DSO), targeting 45–60 days to protect liquidity.

5. What is invoice discounting and factoring? How can it help me get immediate cash against pending invoices?

Invoice discounting and factoring are short-term financing options that help businesses unlock cash tied up in unpaid invoices.

Basis	Invoice Discounting	Factoring
Meaning	Obtaining a loan by keeping your sales invoices as collateral from an authorised agency	Sell invoices to a financier (factor)
Cash Received	~70–90% of invoice value upfront	~70–80% of invoice value upfront
Collection of Payment	You collect payment from the customer	Factor collects payment from the customer
Confidentiality	Confidential (customers are not involved)	Not confidential (customer pays factor)
Cost	Usually cheaper	Slightly costlier but easier access

6. Can I get a loan or funding if my business is less than 2 years old or if I don't have audited financials?

Yes, Funding is available for early-stage businesses, though eligibility and terms differ from established firms. These usually require a solid business plan, promoter credit score (ideally 700+), and personal guarantees. Fintech companies, registered as NBFCs (Non-Banking Financial Companies) are more flexible, offering unsecured loans (₹1–25 lakh) based on 6–12 months of bank statements, limited GST history, and digital footprint, though at higher interest rates. Equity funding suits high-growth startups with scalable models. The best approach is to start with government schemes or fintech companies registered as NBFC's and build clean financial records early to unlock better funding options.

7. What is the difference between equity funding and debt funding? When should I choose investors over bank loans?

Equity vs Debt Funding:

Basis	Debt Funding (Loans)	Equity Funding (Investors)
Meaning	Borrow money and repay with interest (EMIs)	Sell part of the ownership stake in the business
Ownership	Full control retained	Ownership diluted
Repayment	Mandatory repayment with interest	No repayment or interest
Risk	Risk of default/asset loss	Investors share business risk
Best For	Stable, profitable businesses	Early-stage or high-growth startups and companies with high growth prospects

8. How much equity should I give away to investors, and how is the company valuation calculated for fundraising?

Equity dilution should be planned carefully to preserve founder control and long-term motivation. As a general guideline:

- Typical dilution (Seed/Angel round): 10–25%
- Try to keep founder ownership above 51% (control) and at least 30–40% long term.
- Set aside 5–10% ESOP pool for employees before fundraising.

Valuation is commonly done using comparable company multiples, discounted cash flow (DCF) for cash-flow visibility, or methods like Berkus for pre-revenue startups. Valuation depends on revenue, growth rate, market size, competitive advantage, team quality, and market conditions.

9. What is the difference between angel investors, venture capital, and private equity? Which suits MSMEs?

Difference between Angel Investor, Venture capital and Private equity:

Type	Stage of Business	Investment Size	Key Features
Angel Investors	Early-stage / startup phase	₹25 lakh – ₹2 crore	Quick decisions, mentorship, small equity (10–25%), founder-friendly
Venture Capital (VC)	High-growth, scaling businesses	₹2 – 50 crore	Formal process, larger funding, high growth expectations, 15–30% equity
Private Equity (PE)	Mature, profitable companies	Involve large capital amounts, usually above ₹50 crore but can also take on investment of smaller size.	Invests in established firms, often takes a large/majority stake

10. What is the minimum gross margin or profit margin I should maintain to ensure my business stays healthy?

Understanding margins is key to judging business health.

- Gross Margin = $(\text{Revenue} - \text{Cost of Goods Sold}) \div \text{Revenue}$, showing profitability before operating expenses.
- Net Profit Margin = $\text{Net Profit} \div \text{Revenue} * 100\%$, reflecting final profitability after all costs.
- Benchmarks vary by industry. For sustainability, most businesses need:
 - $\geq 25\text{--}30\%$ gross margin to cover operating costs
 - $\geq 8\text{--}10\%$ net margin to reinvest, absorb shocks, and service debt.

11. Should I reinvest profits back into the business or withdraw them as personal income? What is the ideal balance?

Deciding how much profit to reinvest versus withdraw depends on your business stage, growth opportunities, personal needs, tax impact, debt obligations, and risk appetite.

- Early-stage businesses (0–3 years) should reinvest 80–100% of profits to build market presence, infrastructure, and cash reserves, drawing only a minimal profits.
- Growth-stage businesses (3–7 years) typically reinvest 50–70% to scale operations while starting regular personal withdrawals.
- Mature businesses (7+ years) can reinvest 20–40% and distribute the rest as salary or dividends.

A practical thumb rule is the 50-30-20 approach: 50% reinvestment, 30% personal withdrawal, and 20% for taxes and buffers—adjusted as needed.

12. What are the different types of collateral that banks ask for when applying for a loan?

Banks ask for collateral to secure loans and reduce repayment risk, especially for higher loan amounts. The type of collateral can be:

- Immovable Property - Residential, commercial, or industrial property, land, vehicles (only by Private or Co-operative Banks)
- Bank Deposits - Fixed deposits (FDs), term deposits
- Business Assets - Machinery, equipment, inventory, receivables
- Financial Assets - Shares, mutual funds, bonds, insurance policies, government securities
- Gold - Gold jewellery or coins (common for small loans)

13. How do I calculate the actual cost of taking a loan (interest rate, processing fees, EMI vs reducing balance)?

Understanding interest calculation methods is crucial before taking any loan. To check for actual cost:

- Check interest type:
- Flat rate → interest on the full loan amount (higher actual cost).
- Reducing balance → interest on outstanding amount (lower cost, preferred).
- Calculate total loan cost (APR): Include interest rate + processing fee (1–2%) + GST on fees + documentation/legal charges + insurance + prepayment/late penalties.
- Check EMI affordability: Keep EMIs within 40–50% of monthly cash flow.

14. How do I manage foreign exchange (forex) risk and payment terms when dealing with international clients or suppliers?

Forex risk arises when you invoice or pay in foreign currency, as exchange rate movements between the invoice date and payment date affect your actual rupee realisation. To manage risk:

- Reduce exposure - Invoice in INR where possible.
- Use hedging tools - Use tools like Forward Contracts and Currency Options.
- Control payment terms - Negotiate advance payments or shorter credit periods and add pricing buffers to cover currency fluctuations.
- Monitor regularly - Track exchange rates and review forex exposure frequently.

15. What is a Letter of Credit (LC) and Bank Guarantee (BG)? When are they required in business transactions?

Letter of Credit vs Bank Guarantee

Basis	Letter of Credit (LC)	Bank Guarantee (BG)
Meaning	Bank guarantees payment to the seller after the delivery/shipment documents are submitted	The bank compensates the beneficiary if the applicant fails to meet obligations
Purpose	Payment assurance	Performance/security assurance
Risk Covered	Protects the seller from non-payment	Protects the buyer/beneficiary from non-performance
Common Use	International trade, high-value transactions	Government tenders, contracts, and advance payments

16. How do I clean up my financial records and become “bankable” if my GST and ITR filings are irregular or incomplete?

Being “bankable” means your business shows credibility, compliance, and repayment capacity. Banks assess this through:

- GST returns (regular revenue reporting)
- ITR filings (income and tax compliance)
- Bank statements (cash flow consistency)
- CIBIL score
- Basic financial statements

To improve bankability:

- First, clear all pending GST and ITR filings
- Pay dues, and ensure consistency between GST turnover, ITR income, and bank credits.
- Maintain proper books using accounting software, separate business and personal finances, and generate monthly P&L statements.
- Improve credit discipline by paying EMIs on time, lowering credit utilisation, and avoiding frequent loan applications.
- With 6–12 months of clean compliance and stable cash flows, banks are likely to become more receptive to your requests.

17. What are the common reasons for banks to reject loan applications despite a good repayment history?

Loan applications are commonly rejected due to a mix of financial, compliance, and profile-related issues. The most frequent reasons are:

- Insufficient Cash Flow → Income not enough to support EMI (banks prefer $EMI \leq 50\text{--}60\%$ of cash flow).
- Poor Business Viability → Unstable business model, low profitability, or risky sector.
- Incomplete/Inconsistent Documents → Mismatch in GST, ITR, or bank statements.
- Low Credit Score or High Debt → Poor CIBIL score, existing loans, or frequent credit inquiries.
- Irregular Compliance History → Late tax filings or weak financial records.
- Short Business Track Record → New business with limited history.
- Lack of Collateral → Insufficient security for secured loans.
- Unclear Loan Purpose → Unrealistic projections or unclear fund usage.
- Evaluation of the business plan does not meet the Bank’s assessment criteria.

18. How can I access CSR (Corporate Social Responsibility) funding for my social enterprise?

To access CSR funding:

- Register as an eligible entity – Section 8 company, trust, or society.
- Work in CSR-approved areas – education, health, environment, etc.
- Align with corporate CSR priorities of companies and submit strong project proposals with potential impact clearly articulated.
- Register on CSR platforms and approach company CSR teams.
- Maintain transparency – proper accounts, audits, and impact reporting.

19. How can I use TReDS (Trade Receivables Discounting System) for faster payments?

TReDS (Trade Receivables Discounting System) is an RBI-regulated digital platform designed to help MSMEs manage working capital by converting unpaid invoices from large corporate buyers into immediate cash. To use TReDS:

- Register on a TReDS platform (RXIL, M1xchange, Invoicemart and C2FO) as an MSME supplier.
- Upload invoices after supplying goods/services to a corporate buyer registered to the same platform as your company.
- The buyer accepts the invoice on the platform.
- Financiers (banks/NBFCs) bid to fund the invoice, which includes admin charges/interest from the seller at competitive rates.
- Select the best bid and receive most of the invoice value upfront.
- The financier collects payment from the buyer on the due date.

20. How do I manage profit and loss statements for better financial control?

Effective P&L management requires:

- Preparation of P&L Monthly – Use a credible accounting software and review regularly.
- Tracking Key Metrics – Revenue growth, gross margin, expenses, EBITDA, and net profit margin.
- Comparing with Budget – Check actual vs planned performance to spot gaps.
- Identifying Red Flags – Declining margins, rising costs, or profits not matching sales growth.
- Improving Profitability – Focus on high-margin products, control expenses, and optimise pricing.
- Analysing Performance – Review profit by product, customer, or department.
- Review with Cash Flow – Check cash flow alongside P&L to manage timing gaps.

21. What loan restructuring options are available for businesses in financial distress?

Loan restructuring is a mechanism that allows businesses facing temporary financial stress to modify existing loan terms so they can continue operations while repaying debt sustainably. Options are:

- Tenure Extension – Increase the loan repayment period to reduce EMI burden.
- Moratorium Period – Temporary pause on EMI payments.
- Interest Rate Reduction – Lower interest rate to ease repayment.
- Additional Working Capital – Extra funds to support operations.
- Debt Restructuring/Conversion – In some cases, part of the loan is converted to equity.



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A large rectangular area enclosed by a teal dotted border. The interior of this area contains 20 horizontal dotted lines, providing a space for writing or drawing.



21 FAQs 2.0

GST

1. Can I claim Input Tax Credit (ITC) on expenses like rent, electricity, telephone, and travel? What are the conditions?

Ans - Yes, however, ITC eligibility depends on business use and GST compliance.

Rent on commercial premises is eligible if the landlord is GST-registered, charges GST, and issues a valid tax invoice.

ITC on electricity is available only if GST is charged.

Telephone/internet bills qualify if in the company's name with GST charged.

ITC can be claimed on business travel like air tickets and hotels, but credits on cars (and related expenses) are generally inadmissible under Section 17(5) of the CGST Act 2017, along with items like food, club memberships, and insurance (with limited exceptions).

2. What happens if my supplier doesn't file GST returns or uploads wrong invoices? Will I lose my ITC?

ITC is closely linked to supplier compliance. If a supplier doesn't file GSTR-1 or uploads wrong invoice details, the invoice may not reflect in your GSTR-2B, creating mismatches and scrutiny. While ITC can be claimed based on valid invoices, you may need to reverse it if the supplier fails to deposit tax within the prescribed timeline. To safeguard ITC, reconcile purchases with GSTR-2B monthly, follow up for corrections, keep written evidence, use compliance clauses in contracts, and prefer reliable GST-compliant vendors.

This section simplifies the Goods and Services Tax system, outlining who needs to register, key benefits, return types, and schemes like QRMP and Composition. It also explains input tax credit, e-invoicing, e-way bills, reverse charge mechanism, and penalties—making it a practical reference for ensuring compliance and optimising tax efficiency.



From all the queries **3%** of queries were from this domain.

3. How do I reconcile GSTR-2A/2B with my purchase records to ensure I claim the correct ITC?

Reconciliation of your purchase records with GSTR-2A/2B is essential to claim correct ITC and avoid future GST disputes. GSTR-2A is dynamic and updates continuously, while GSTR-2B is a monthly static statement (generated on the 12th) and is a safer basis for ITC claims.

- The process involves downloading GSTR-2B, extracting your purchase register, and matching invoices by GSTIN, invoice number/date, taxable value, and tax amount.
- Common mismatches include invoices missing in 2B (supplier non-filing/late filing), invoices appearing in 2B but not in books, and value/tax differences due to errors.
- Use ERP/accounting tools or Excel to prepare monthly reports, maintain documentation, and keep an audit trail for GSTR-3B and year-end GSTR-9 reconciliation.

4. What is the time limit to claim Input Tax Credit? Can I claim ITC for previous months or years?

The CGST Act, 2017, sets a strict deadline for claiming ITC:

- ITC can be claimed on the earlier of the due date of filing September GSTR-3B of the next financial year or the date you file GSTR-9.
- Missed ITC can be claimed in any later month's GSTR-3B as long as it's within this limit and supported by a valid invoice, receipt of goods/services, and GSTR-2B reflection.
- If you file GSTR-9 early, your ITC window closes immediately.

Maintain monthly reconciliation, track unclaimed invoices, and complete a year-end review before filing GSTR-9, as ITC after the deadline is permanently lost.

5. If I miss the GST return filing deadline, what are the late fees and interest charges? How do I file belated returns?

Missing GST return deadlines leads to late fees and interest. Late fee is ₹50/day (₹25 CGST + ₹25 SGST) for GSTR-1 and GSTR-3B, capped at ₹5,000 for NIL returns and up to ₹10,000 for taxable returns. Interest is 18% p.a. on delayed tax payment (not on late fee), calculated from the due date to the payment date. Belated returns must be filed sequentially, with payment of tax + interest + late fee through challan before submission.

6. What is the difference between GSTR-1, GSTR-3B, and annual return GSTR-9? Which ones are mandatory for me?

GST returns have different roles and deadlines.

- GSTR-1 reports outward supplies (sales) with invoice details and feeds your buyers' ITC via GSTR-2B; it's filed monthly (turnover > ₹5 cr) or quarterly under QRMP (≤ ₹5 cr) and involves no tax payment.
- GSTR-3B is a summary return where you declare liability, claim ITC, and pay GST (monthly for normal taxpayers; quarterly under QRMP with monthly tax payment via PMT-06).
- GSTR-9 is the annual return (generally required if turnover > ₹2 cr) consolidating GSTR-1 and 3B data.
- GSTR-9C is an audit/reconciliation for turnover > ₹5 cr. Late filing attracts fees and interest and can disrupt ITC and compliance.

7. Can I revise or correct a GST return after filing if I made mistakes in invoice details or tax amounts?

GST return errors can be corrected, but you cannot revise filed returns.

- GSTR-1 mistakes are fixed in the next period's GSTR-1 using amendment tables (e.g., wrong GSTIN, value, tax rate, missing/duplicate invoices), within the deadline of September of next FY or before filing GSTR-9.
- GSTR-3B has no amendment option—errors must be adjusted in later months by paying differential tax (with 18% interest if short-paid) or reversing excess ITC.
- GSTR-9 cannot be revised once filed, so reconcile thoroughly before submission. Keep invoices, correction trail, and communicate amendments to buyers since their ITC may get impacted.

8. What is the reverse charge mechanism (RCM) under GST? When do I need to pay GST on behalf of my supplier?

Reverse Charge Mechanism (RCM) shifts GST payment from the supplier to the recipient. It applies to notified goods/services, import of services, and certain cases involving unregistered suppliers. Under RCM:

- You calculate GST on the invoice value and pay it in cash via the electronic cash ledger, then report it in GSTR-3B and claim eligible ITC.
- RCM is usually ITC-neutral, but creates a cash-flow gap since ITC cannot be used to pay RCM.
- Maintain self-invoices/payment vouchers, challans, and track time-of-supply to avoid interest and penalties.

9. How do I handle GST for advance payments received from customers or advances paid to suppliers?

Under GST, advance received from customers creates an immediate tax liability in the month of receipt. To handle advance payment:

- Issue a receipt voucher, pay GST in GSTR-3B, and report advances in GSTR-1.
- When the final supply is made, issue the tax invoice, adjust the advance, and report the adjustment.
- If the invoice value exceeds the advance, pay GST on the balance; if the advance is refunded, reverse the tax accordingly.
- For advances paid to suppliers, ITC cannot be claimed until you receive goods/services + tax invoice, and it is reflected in GSTR-2B.

10. How does GST work for inter-state vs intra-state transactions (CGST, SGST, IGST)? How do I report them correctly?

The key difference is the place of supply s. the supplier location.

- If both are in the same state, it's an intra-state supply, and you charge CGST + SGST (e.g., 9% + 9% on 18%).
- If they are in different states, or it's import/export/SEZ, it's an inter-state supply, and you charge IGST (e.g., 18%).
- For goods, the place of supply is usually the delivery/installation location.
- For services, it's generally the recipient's location (with exceptions).

Correct classification affects invoice tax breakup, GSTR-1 reporting, and ITC set-off rules. IGST credit is the most flexible, while CGST/SGST credits are restricted.

11. Can I get a GST refund if my output tax is less than input tax (like in export or inverted duty structure)? What is the process?

GST refunds are available when excess ITC accumulates and cannot be utilised, mainly due to zero-rated supplies (exports/SEZ) and inverted duty structure (input tax rate > output tax rate).

- Exporters can claim refunds either by exporting under LUT (without IGST) and refunding accumulated ITC, or by exporting with IGST payment and claiming IGST refund.
- Refunds are filed online through RFD-01 with supporting documents (invoices, shipping/FIRC, ITC statements).
- Applications must generally be filed within 2 years from the relevant date. Refunds should be processed within 60 days, with interest payable for delays.

12. How long does it take to receive a GST refund, and what documents are required for refund applications?

GST refunds should be processed within 60 days of a complete application, and exporters may get a 90% provisional refund (generally for claims above ₹2 lakh) soon after filing. Simple export refunds typically take 60–90 days, while inverted duty refunds may take 120–180+ days due to deeper verification. Key steps include:

- Filing RFD-01, receiving an ARN, officer scrutiny, responding to deficiency memos, verification, and issuance of RFD-06 before bank credit.
- Delays usually happen due to missing documents, return non-filing, or mismatches with GSTR-3B/2B.
- If delayed beyond 60 days, 6% interest applies. File regularly, keep documents clean, and respond quickly to notices to protect working capital.

13. What should I do if I receive a GST notice for a mismatch, demand, or assessment? How do I respond?

A GST notice should be handled quickly and professionally.

- First, read the notice carefully (issue, period, section, deadline) and note the response time, usually 15–30 days (in some cases, it can be shorter).
- Gather key documents like invoices, GSTR-1/3B, GSTR-2B, challans, ledgers, and reconciliations, then prepare a point-wise reply with evidence.
- If the notice relates to GSTR-1 vs 3B mismatch, ITC mismatch, or short payment, submit reconciliations and pay differential tax/interest if due.
- File responses via the GST portal and keep acknowledgement proof. Attend hearings if called and maintain a complete case file.
- Don't ignore notices; missing deadlines can lead to ex parte orders and confirmed demands.

14. How do I calculate GST liability if I provide both goods and services (composite supply vs mixed supply)?

Composite supply means two or more items are naturally bundled in the normal course of business, with one principal supply (main item) and the rest being incidental. In this case, GST is charged at the rate of the principal supply on the total value. Example: AC (28%) with installation (18%) → total value taxed at 28%. Mixed supply means multiple goods/services are bundled for convenience or promotion, and each can be sold separately with no principal supply. Here, the entire bundle is taxed at the highest GST rate among the items.

15. Can I voluntarily cancel my GST registration if I stop my business or fall below the threshold limit? What is the process?

You can voluntarily cancel GST registration if you close your business, transfer it, change its constitution, or your turnover falls below the threshold. Process:

- Log in to the GST portal → Services > Registration > Application for Cancellation of Registration → file REG-16 with reason, effective date, and details of closing stock/capital goods.
- Upload supporting documents and submit with DSC/EVC.
- The department may seek clarification (REG-17); if approved, you get the cancellation order (REG-19).
- Before cancellation: file all pending returns and clear dues.
- You may need to pay/reverse ITC on closing stock and capital goods. After cancellation, file the final return GSTR-10 within 3 months.

16. What happens to unutilized Input Tax Credit in my ledger if I close my business or cancel GST registration?

If you close your business or cancel your GST registration, any unutilized Input Tax Credit (ITC) lying in your electronic credit ledger generally cannot be used further and usually lapses, meaning it is not refundable in most normal closure cases. Before cancellation is finalised, you are required to pay back or reverse the ITC related to closing stock and capital goods held on the date of cancellation, since you would have claimed credit on these purchases earlier. After making these reversals and settling any dues, whatever ITC balance remains in the ledger typically becomes unusable and is forfeited. The only practical exception is where the business is transferred as a going concern to another registered person, in which case ITC may be transferred through the prescribed procedure instead of being lost.

17. How do I handle GST for discounts, sales returns, credit notes, and debit notes issued to customers?

To handle GST on discounts, sales returns, credit notes and debit notes:

- Identify whether the adjustment is happening before invoicing or after invoicing, because GST liability changes accordingly.
- If you give a pre-supply discount, GST is charged only on the net value after discount, and the reduced taxable value is reported in GSTR-1.
- If you give a post-supply discount, you can reduce GST only by issuing a credit note, provided the discount was agreed earlier (as per contract/terms) and linked to specific invoices.
- Sales returns are also handled through a credit note referencing the original invoice, which reduces your outward tax liability in the month the credit note is issued (not the original month).
- A credit note is used whenever you need to reduce taxable value or tax (returns, excess charged, rate error), while a debit note is issued when you need to increase taxable value or tax (price increase, short-charged tax, additional supply).
- Credit/debit notes must be reported in GSTR-1 (Table 9B/9C), and the impact is reflected in GSTR-3B for that period. When you issue a credit note, the customer must reverse proportionate ITC, and when you issue a debit note, the customer can claim additional ITC, so timely communication and proper linking with invoices is essential.

18. What is GST audit and annual return reconciliation? Who needs to get their accounts audited under the GST law?

GST audit and annual return reconciliation are compliance checks to ensure your GST returns match your books of accounts and taxes/ITC have been reported correctly.

- GSTR-9 (Annual Return) is used to reconcile yearly GST data (GSTR-1 & GSTR-3B) with the books of accounts.
- It ensures correct reporting of turnover, tax paid, and ITC.
- Generally required if aggregate turnover exceeds ₹2 crore in a financial year.
- The due date is usually 31st December of the next financial year.
- GST Audit (GSTR-9C) is required if aggregate turnover exceeds ₹5 crore.
- GSTR-9C is a reconciliation statement comparing GST returns with audited financial statements.
- It verifies turnover, output tax, ITC (including GSTR-2B matching), and RCM compliance.

19. How do I manage GST compliance when dealing with multiple business locations?

Managing GST compliance across multiple branches/locations mainly depends on whether your operations are within one state or across multiple states, because GST is state-wise.

- If you operate in different states, you must take a separate GST registration (GSTIN) in each state.
- Each GSTIN is treated as a separate unit for compliance, meaning you must maintain separate records, file separate GSTR-1 and GSTR-3B, and pay tax separately from that GSTIN's cash/credit ledger.
- Also, stock transfers between different GSTINs (even within the same company) are treated as taxable supplies, so you must raise a tax invoice, pay IGST/CGST+SGST as applicable, and the receiving branch can claim ITC.
- If you have multiple locations within the same state under one GSTIN, then branch stock movement is not taxable (no invoice, only delivery challan), but you must still track it properly and generate e-way bills wherever required.

To manage smoothly, use centralised accounting/ERP, keep a GST compliance calendar for all GSTINs, and reconcile GSTR-1 vs GSTR-3B vs books monthly for each registration.

20. What are the differences in GST applicability for proprietary firms versus partnerships?

Differences in GST applicability for proprietary firms versus partnerships

Basis	Proprietorship	Partnership Firm
GST Rates & ITC Rules	Same as other entities	Same as other entities
Registration Basis	Linked to the proprietor's PAN	Linked to the firm's PAN
Return Filing	GSTR-1 & GSTR-3B filed under the owner's PAN-based GSTIN	GSTR-1 & GSTR-3B filed under the firm's PAN-based GSTIN
Liability for GST Dues	Unlimited personal liability of the proprietor	Joint and several liability of partners
Documentation Required	Basic KYC + business proof	Partnership deed + firm PAN + partner details
Authorised Signatory	Proprietor	Any authorised partner
Conversion Impact	Fresh GST required if structure changes	Fresh GST required if structure changes

21. How do I manage GST compliance when dealing with cash transactions?

Managing GST compliance for cash transactions:

- GST applies irrespective of whether payment is received in cash or digitally. Tax liability depends on supply, not payment mode.
- Issue proper tax invoice for all taxable sales, even if payment is in cash.
- Record the transaction in books and include it in GSTR-1 and GSTR-3B.
- Ensure cash sales are reflected in turnover and tax is paid accordingly.
- If you are under the Composition Scheme, you cannot collect GST separately but must issue a bill of supply and pay tax at composition rates.
- Large cash transactions may attract scrutiny under Income Tax laws (cash receipt limits), so maintain proper documentation and deposit cash into the bank regularly.
- Reconcile daily cash sales with POS/stock records to avoid a mismatch during audit.
- Maintain strong internal controls to prevent under-reporting, as GST notices commonly arise from cash-sales discrepancies.



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MARKETING & BRANDING



1. How do I create a marketing budget for my MSME? What percentage of revenue should I allocate to marketing?

The typical marketing budget allocation varies based on your business stage and industry, but general guidelines suggest:

- MSMEs may allocate 5-10% of gross revenue to marketing.
- Startups and new businesses invest 12-20% of gross revenue.
- High-growth businesses dedicate 15-25% of gross revenue.
- Mature businesses in stable markets maintain 3-7% of gross revenue.

Your marketing budget should be built from the bottom up rather than just picking a percentage.

- Define clear goals (new customers, revenue target, new market entry).
- Calculate customer acquisition cost (CAC).
- Add brand-building activities, including website maintenance, social media management, content creation, and general awareness campaigns.
- Include expenses like paid advertising, trade shows and exhibitions, promotional materials, marketing tools and software.

2. What is the difference between B2B and B2C marketing strategies? How should I approach each differently?

Difference between B2B and B2C marketing strategy

Factor	B2B (Business to Business)	B2C (Business to Consumer)
Sales Cycle	Long (weeks to months)	Short (minutes to days)
Decision Makers	Multiple people	Individual buyer
Buying Basis	Logical, ROI-focused	Emotional, lifestyle-driven
Transaction Value	Higher value, fewer sales	Lower value, high volume
Relationship	Long-term partnerships	Brand loyalty & repeat purchase
Marketing Approach	LinkedIn networking, email campaigns, case studies, demos, trade shows	Social media ads, influencer marketing, engaging content, offers & discounts

This section outlines essential marketing and branding strategies tailored for MSMEs. It covers low-cost digital outreach, brand identity creation, leveraging government schemes, and the use of tools like Google Business and WhatsApp. With a focus on practical, scalable methods, it helps small businesses build visibility, credibility, and customer trust in competitive markets.

Marketing & Branding



From all the queries **15%** of queries were from this domain.

3. How do I measure ROI (Return on Investment) on my marketing campaigns (social media, ads, exhibitions)?

Ans - The basic ROI formula is:

$$\text{ROI} = \left[\frac{(\text{Revenue from marketing} - \text{Marketing cost})}{\text{Marketing cost}} \right] \times 100. \text{ However, you need to track both direct and indirect metrics.}$$

- For social media ROI, track engagement metrics like likes, comments, shares, and saves, conversion metrics including click-through rates to the website, and actual sales from social media traffic.
- For paid advertising ROI, measure impressions and reach, click-through rate (CTR), cost per click (CPC), conversion rate (website visitors who take desired action), cost per acquisition (CPA), and return on ad spend (ROAS).
- For exhibitions and trade shows, track leads collected (business cards, scanner data, inquiry forms), immediate orders or commitments made at the event, follow-up meetings scheduled, and the estimated value of the pipeline generated. Calculate total costs including booth rental, setup and design, travel and accommodation, promotional materials, and staff time.

4. Should I hire an in-house marketing team, use freelancers, or work with a marketing agency? What's more cost-effective?

Each option has distinct advantages and costs.

Option	Best For	Pros	Cost Level
In-House Team	Long-term, ongoing marketing	Brand understanding, full control, quick coordination	High (salary + benefits)
Freelancers	Specific tasks/projects	Flexible, specialised skills, lower fixed cost	Moderate / Variable
Marketing Agency	Full campaigns & scaling	Team of experts, structured strategy, scalable	Higher (retainer/project-based)

For most MSMEs, a hybrid model works best: hire one in-house marketing coordinator to manage strategy and execution, use freelancers for specialized tasks (design, content, SEO, video), and engage an agency for large projects like website redesigns, new market launches, or major ad campaigns.

5. How do I identify my target audience and create customer focused marketing campaigns?

Identifying your target audience is the base of effective marketing.

- Start by analysing your existing customers to spot patterns in industry, demographics, location, pain points, and buying behaviour.
- Use surveys and interviews to understand why customers chose you, what alternatives they considered, and what outcomes they value most.
- Study competitors to find gaps, and use social listening, forums, and communities to learn how your audience talks and what they care about.
- Segment your audience into clear groups and create customer personas for each. Tailor messaging to specific pain points, use customer language, and highlight benefits over features.
- Choose channels based on where your audience spends time, LinkedIn/email for B2B, Instagram/Facebook for consumers, YouTube/forums for technical products, and Google/local SEO for local services.
- Finally, test and refine through A/B testing and feedback, and update your personas regularly as your market evolves.

6. What role do SEO play in marketing my business?

SEO (Search Engine Optimisation) helps your website rank higher on Google or other search engines so customers can find you when they search for your products/services. For MSMEs, it's a cost-effective, long-term strategy that builds credibility, brings highly targeted traffic, and improves return on investment over time compared to paid ads. Key parts include:

- On-page SEO (keywords, quality content, titles/meta descriptions, headers, internal links, image optimisation)

- Technical SEO (mobile-friendly site, fast speed, HTTPS, clean URLs, sitemap)
- Off-page SEO (backlinks, listings, reviews)
- Local SEO is crucial, optimise Google Business Profile, use location keywords, and get local directory listings.

7. What is the difference between organic marketing (SEO, content) and paid marketing (ads)? Which should I prioritise first?

Difference between organic and paid marketing

Basis	Organic Marketing (SEO, Content)	Paid Marketing (Ads)
Cost	No payment for reach, but involves indirect costs (content creation, SEO tools, agency/employee time)	Pay for every click/view
Speed	Slow (3–12 months)	Fast (immediate results)
Sustainability	Long-term, compounding	Stops when the budget stops
Trust Level	Higher credibility	Seen as promotional
Examples	SEO, blogs, social media, email	Google Ads, Meta Ads, LinkedIn Ads

MSMEs should build an organic base first (website, SEO, listings, content), then run small paid tests and scale what works. New businesses may rely more on paid-for quick leads, while established ones focus on organic for long-term growth. Together, paid drives reach, and organic builds credibility.

8. How do I build a professional website that converts visitors into customers? What features are essential?

A business website should look professional, load fast, and convert visitors into leads or sales. Key essentials include:

- A clear homepage value proposition, simple navigation, strong product/service pages, and visible Calls To Action (Call Now, Get Quote, Book Demo).
- Add contact details on every page and build trust with testimonials, case studies, certifications, and client logos.
- Mobile responsiveness is a must, and speed should ideally be under 3 seconds by optimising images and reducing heavy scripts.
- For lead generation, use forms, callbacks, and chat; for e-commerce, add secure payments, reviews, tracking, and clear return policies.
- Build SEO basics from day one (titles, headings, alt text, clean URLs, sitemap, analytics).
- For most MSMEs, WordPress with a premium theme offers the best balance of cost and flexibility.

9. How can I use WhatsApp Business, Google My Business, and LinkedIn effectively to generate leads without spending much?

Three free platforms can potentially generate strong leads for MSMEs if used consistently.

- WhatsApp Business is best for direct customer communication, use catalogue and quick replies, share updates via broadcast lists and Status, and add click-to-chat links/QR codes everywhere.
- Google My Business boosts local visibility, upload quality photos, post updates regularly, respond to reviews quickly, and monitor insights for calls and visits.

- LinkedIn works well for B2B, optimising your company and personal profiles, posting valuable content (tips, case studies, wins), engaging with others, and reaching decision-makers through personalised connection requests. Stay consistent, and spend 30–60 minutes daily for best results.

10. What type of content should I create for social media (posts, videos, testimonials) to engage customers consistently?

Effective social media content should mix education, engagement, and promotion while showing your brand personality.

- Use educational posts, behind-the-scenes, and product content while following the 80/20 rule—80% value, 20% selling.
- Build trust through customer testimonials, case studies, and user-generated content, and boost reach with Reels/short videos, carousels, infographics, and interactive polls or Q&As.
- Plan a simple weekly content calendar to stay consistent, and tailor formats to platforms (Instagram for visuals, LinkedIn for thought leadership, YouTube for deep tutorials).
- Create content in batches, repurpose across platforms, and track engagement, clicks, saves, and leads to repeat what works. Posting 3–4 times a week consistently is better than daily low-quality content.

11. How often should I post on social media platforms? What's the ideal posting frequency for MSMEs?

Posting frequency depends on your audience and capacity, but consistency matters more than volume. For most MSMEs, start with a sustainable plan:

- Quality posts per week, add daily Stories if using Instagram, and short videos/Reels per month.
- It's better to post fewer strong posts than many weak ones.
- Use batching and scheduling tools to stay regular, track insights to find the best timings, and adjust frequency if engagement drops or content creation becomes stressful.
- Engagement is as important as posting.
- It is advisable to post any updates about new products/services or any improvements in the existing products.

12. How do I get customer testimonials and reviews? Can I legally use them in my marketing materials?

Customer testimonials and reviews build trust through social proof.

- The easiest way to get them is to ask happy customers at the right moment, after delivery, project completion, or when they praise you.
- Keep it simple with a short message and guiding questions like what problem you solved, results achieved, and what they'd tell others.
- Collect reviews on key platforms such as Google Business Profile, Facebook, LinkedIn, and industry sites.
- Use testimonials ethically: take written permission, get consent for name/company/photo, and never edit to change meaning or use fake reviews. Display them on your website, product pages, proposals, social media, and emails.
- Video testimonials (30–90 seconds) are highly effective.
- Respond to all reviews professionally, handle negative reviews calmly, and build a repeatable system to request testimonials after every successful transaction.

13. How do I handle negative reviews or complaints on Google, social media, or e-commerce platforms professionally?

Negative reviews are unavoidable, but a calm, fast response can build trust.

- Monitor platforms regularly and reply within 24–48 hours.
- A good response should thank them, acknowledge the issue, apologise if needed, address the concern, offer a solution, and move the discussion offline.
- Avoid arguing, blaming the customer, making excuses, ignoring the review, or posting fake positives.
- For genuine complaints, explain how you'll prevent it again.
- For abusive/fake reviews, stay factual, report it on the platform, and respond professionally.
- After resolving, you can politely ask them to update the review. A few negatives handled well often increase credibility.

14. What are the best ways to do cold outreach (email, LinkedIn, phone calls) without being too salesy or spammy?

Cold outreach works best in B2B when it's targeted, personalised, and value-led, not spammy selling.

- Start by building a prospect list that fits your ideal customer profile and research each contact.
- Keep cold emails under 150 words with a clear subject line, a short intro, a problem you solve for businesses like theirs, one proof point, and a soft CTA.
- Avoid generic templates, long pitches, attachments, and aggressive language.
- On LinkedIn, optimise your profile first, send a

short personalised connection note, engage with their content, then message with a helpful insight or question.

- For cold calls, open politely, ask if it's a good time, share a relevant reason for calling, and ask one qualifying question. Follow up 2–3 times with new value, track response rates, and always respect opt-outs.

15. How can I use case studies, success stories, and portfolio presentations to win B2B clients or tenders?

Case studies are powerful B2B sales tools because they prove you can deliver results for similar clients. A strong case study follows a clear structure: Client background

- Challenge → Solution → Implementation → Results → Client quote. Always quantify impact.
- Create them by choosing diverse projects, interviewing clients about their "before vs after," why they chose you, and what outcomes they achieved.
- Keep it professional and scannable with headings, visuals, and a clear CTA, ideally 500–1,500 words.
- Use shorter success stories for social media and email. Publish case studies on your website, proposals, pitches, and tenders, and maintain a reusable library.
- Always take client approval, avoid vague claims, and focus on client outcomes, not self-praise.

16. Should I participate in trade fairs, exhibitions, or industry events? How do I calculate if it's worth the investment?

Trade fairs can generate strong B2B leads for MSMEs, but only if the ROI justifies the cost. Benefits include direct access to buyers, face-to-face trust building,

product demos, networking, and competitor insights.

- Calculate total investment (booth rent, setup, travel, materials, logistics, staff time), which can easily reach ₹1.5–3 lakh for a small booth.
- Measure outcomes by tracking qualified leads, orders, meetings booked, and revenue generated over 3–6 months.
- Key metrics are cost per lead (total cost ÷ qualified leads) and ROI = [(event revenue – event cost) ÷ event cost] × 100.
- Maximise returns by choosing the right event, promoting your presence before the fair, capturing lead details properly, and following up within 48–72 hours.

17. How do I create a referral or loyalty program to encourage repeat customers and word-of-mouth marketing?

Referral and loyalty programs help MSMEs grow by using existing customers to bring repeat sales and new leads at a low cost.

- A referral program rewards customers for recommending you, defines what counts as a referral (purchase/meeting), offers a simple reward (discount, credit, free upgrade), and makes sharing easy with a referral code/link and ready-to-send messages.
- A loyalty program encourages repeat buying through points, tiers, punch cards, spend milestones, or memberships.
- Keep rules simple, give quick value, and make redemption easy.
- Promote the program at every purchase and through WhatsApp/email.
- Track results like referrals, conversion rate, participation, repeat purchases, and customer lifetime value.
- Start manual with a spreadsheet, then automate once it proves ROI.
- Continuously assess the effectiveness of the loyalty programme.

18. What is influencer marketing and micro-influencer collaboration? Can small businesses afford and benefit from it?

Influencer marketing helps MSMEs reach targeted audiences through trusted creators. Instead of expensive celebrities, MSMEs get better value from micro (10K–100K) and nano (1K–10K) influencers because they usually have higher engagement, niche audiences, and relatively affordable costs (nano influencers often work on barter or charge ₹500–₹5,000 per post, while micro-influencers typically charge ₹5,000–₹50,000+ per post depending on engagement and niche).

- Find influencers through relevant hashtags, competitor collaborations, and who your customers already follow.
- Evaluate them on engagement rate, audience relevance, content quality, and authenticity—not just follower count.
- Collaboration options include sponsored posts, free product reviews, affiliate commissions, or long-term brand ambassadors.
- Track ROI using unique links/discount codes to measure traffic and sales, plus engagement and brand mentions for awareness campaigns.
- Keep briefs clear, allow creative freedom, ensure proper disclosure (#ad/#sponsored), and start small with 2–3 tests before scaling.

19. How do I use email marketing effectively without ending up in spam? What tools should I use for bulk emails?

Email marketing is one of the highest-ROI channels for MSMEs, but results depend on a quality opt-in list, relevant content, and strong email deliverability.

- Build your list through website forms, lead magnets, purchases (with consent), events, and webinars—never buy lists.
- To avoid spam filters, use trusted tools (Mailchimp/

Zoho/SendinBlue), enable double opt-in, set up SPF/DKIM/DMARC, avoid spammy wording, keep a good text-to-image balance, and always include an unsubscribe link.

- Send content people want: tips, guides, newsletters, and limited promotions (80/20 value vs sales).
- A good frequency is 2–4 emails/month for most MSMEs.
- Improve results using segmentation, personalisation, and automation (welcome series, post-purchase, re-engagement).
- Track open rate, clicks, conversions, bounces, and unsubscribes, and clean inactive contacts regularly to protect sender reputation.

20. How can I differentiate my brand in a crowded market where competitors offer similar products at lower prices?

Competing only on price hurts MSMEs, so differentiation is key to winning loyal customers and charging better margins.

- You can differentiate through better quality, customisation, faster delivery, innovation, and superior customer experience (quick responses, hassle-free service) and lower maintenance costs
- Strong brand positioning and storytelling build emotional trust, while niche specialisation helps you dominate a specific segment (industry, use case, or customer type).
- You can also stand out with expertise and thought leadership, convenience (easy ordering, flexible payments), and ethical or sustainable practices.
- Focus on 1–3 differentiators you can deliver consistently, communicate them clearly on your website and sales pitch, and prove them using testimonials and case studies.
- Differentiation should be meaningful to customers—not just “different”—and must be backed by real execution.

21. What marketing strategies work best for seasonal businesses to maintain customer engagement during off-season months?

Seasonal businesses can maintain customer engagement during off-season months by staying visible, valuable, and connected even when demand is low.

- One of the most effective strategies is consistent content marketing through social media, blogs, and short videos that educate or entertain customers, such as tips, guides, behind-the-scenes updates, and customer stories.
- Email marketing also plays a key role; businesses can send newsletters, personalised recommendations, early-bird alerts, and exclusive previews to keep customers interested without being overly sales-driven.
- Off-season promotions should be carefully designed to protect brand value, using bundles, loyalty rewards, referrals, or “book now, use later” offers instead of heavy discounts.
- Running pre-season campaigns like waitlists, countdowns, and limited-slot announcements builds anticipation and drives early demand.
- Partnerships with complementary brands can expand reach and keep engagement active through joint offers or collaborations.
- Finally, paid ads can be used strategically for awareness, lead generation, and retargeting past visitors, ensuring customers remember the brand when the peak season returns.



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A large vertical rectangular area with a dotted purple border. Inside, there are 15 horizontal dotted lines for writing. At the bottom right of this area is an illustration of a person with dark hair, wearing a light blue short-sleeved shirt and dark blue pants, holding a white laptop.

21 FAQs 2.0

GeM

1. How long does the GeM registration process take?

The GeM registration process is relatively quick and straightforward if you have all documents ready.

- Application time: 30–60 minutes (if documents are ready).
- Verification time: Usually 2–4 working days.
- If errors or queries arise: May extend to 7–10 days.
- How to Avoid Delays
- Ensure all documents are clear and accurate.
- Match company name, address, and PAN across documents.
- Keep bank accounts active and linked to PAN.
- Ensure GST registration is valid (if applicable).

2. How do I recover my GeM user ID if I've forgotten it?

If you've forgotten your GeM user ID, recovery is simple through the portal's self-service options:

- Go to the GeM login page.
- Click on "Forgot User ID" below the login button.
- Enter your registered mobile number or email ID.
- Your User ID will be sent via SMS and email.

This section simplifies the process of registering and selling on the Government e-Marketplace (GeM) for MSMEs. It explains seller registration, document requirements, product listing, bidding procedures, and payment mechanisms. It also highlights benefits for women-led, SC/ST, and startup enterprises, making it an essential resource for small businesses aiming to tap into government procurement opportunities.

GeM



From all the queries **11%** of queries were from this domain.

3. What information is required to complete my GeM profile (100% completion)?

Achieving 100% profile completion on GeM as it increases your credibility and visibility on the platform. Essential information includes:

- Business Details
- Company name (as per PAN)
- PAN number
- Business type (Proprietorship/Partnership/Company, etc.)
- GST number (if applicable)
- Registered address with PIN code
- Year of establishment
- Annual turnover
- Contact & Banking Details
- Registered mobile number and email
- Bank account details (linked with PAN)
- Authorized signatory details
- Company website (if available)
- OEM (If Applicable)

4. Do I need to arrange my own logistics for delivery of an order from GeM?

Yes, as a seller on GeM, you are responsible for arranging logistics and delivering products to the buyer's specified location unless the contract specifically states otherwise. You can use:

- Use your own transport (if available).
- Hire courier services (for small parcels).
- Use freight/transport companies (for bulk or heavy goods).

The GeM contract terms usually specify the delivery location (consignee address) and delivery timeline, your responsibility to ensure safe packaging, insurance coverage for goods in transit (recommended but not always mandatory), and unloading at the buyer's premises unless otherwise specified.

5. How long does it take to receive payment after delivery?

After successful delivery, the consignee (buyer) must inspect and accept the goods or services by uploading the CRAC (Consignee Receipt and Acceptance Certificate) on the GeM portal.

- This acceptance should ideally happen within 7-10 days of delivery but can sometimes take up to 15-20 days depending on the buyer's internal processes. Once CRAC is uploaded and approved, the payment process begins.
- For central government departments and organizations, payment is typically made within 10 days of CRAC approval as per government guidelines.
- State government entities and PSUs have varying payment cycles, usually 15-30 days. Some organizations process payments weekly or monthly based on their internal finance cycles.
- The overall timeline from delivery to payment receipt is generally 20-45 days under normal circumstances.
- For direct purchases and straightforward products, payments often come faster, within 15-25 days. For contract orders involving installation or commissioning, it may take 30-60 days.

6. What should I do if payment is delayed beyond the stipulated period?

If payment is delayed beyond the period specified in your contract:

- Check Portal Status - Confirm CRAC is uploaded and approved and invoice is correctly submitted
- Follow Up with Buyer - Contact consignee or procurement officer, send formal email mentioning order number and due date
- Raise Grievance on GeM - Log into GeM → Raise a Grievance/Ticket
- Escalate (If Delay Continues) - Escalate through GeM support mechanism, you can also approach concerned department/ ministry grievance cell

7. How do I handle L1 (lowest bidder) situations? What if my bid is slightly higher but offers better quality or features?

In standard bidding scenarios, the L1 (lowest) bidder automatically wins the order. If your bid is L2, L3, or lower, you generally won't receive the order. However, there are scenarios where higher bids can still win:

- QCBS (Quality & Cost Based Selection) - Technical score (60–70%) + Price score (30–40%).
- RFP / Two-Bid System - Technical qualification is evaluated first.
- Unrealistic L1 Pricing - Extremely low bids may be rejected as unviable.

8. What is the difference between Direct Purchase, Reverse Auction (RA), and Request for Proposal (RFP) on GeM?

Difference between Direct Purchase, Reverse Auction (RA), and Request for Proposal (RFP) on GeM

Basis	Direct Purchase	Reverse Auction (RA)	RFP (Request for Proposal)
Process Type	No bidding	Real-time price competition	Technical + Financial evaluation
How It Works	Buyer selects from catalog	Sellers compete by lowering price	Sellers submit technical & price bids
Focus	Price, rating, delivery	Lowest price (L1 wins)	Quality + Price (or L1 among qualified)
Used For	Standard, low-value items	Competitive procurement	Complex, high-value, specialized requirements

Note: Reverse Auction is conducted if enabled by the buyer and gives non-L1 bidders a final chance to match or beat the L1 price.

9. What is a caution money deposit (EMD/Bid Security)?

Caution money, also known as EMD (Earnest Money Deposit) or Bid Security, is a refundable deposit that sellers must submit when participating in certain bids on GeM. The EMD is refunded after the bid process concludes.

- For unsuccessful bidders, it's typically refunded within 7-15 days of bid closure.
- For the successful bidder, it's refunded after you submit the performance security or after satisfactory completion of the contract.
- EMD is forfeited if you withdraw your bid after submission, fail to sign the contract after winning, or don't provide the required performance security within the stipulated time.

MSEs (Micro and Small Enterprises) registered on Udyam portal are often exempted from EMD requirements under government schemes promoting small businesses.

10. Can I modify or cancel an order after it has been placed by the buyer?

Once a buyer places an order on GeM and you accept it, modification or cancellation is difficult and subject to mutual agreement and GeM's policies.

- In the first few hours after order placement, before you formally accept the order, you may have the option to reject it, but this should only be done for genuine reasons like stock unavailability or pricing errors.
- After you accept the order, cancellation requires buyer's consent. You must contact the buyer, explain the genuine reason for cancellation, and request them to cancel the order from their end.
- Only the buyer can initiate cancellation of an accepted order through the GeM portal.
- Modification of orders also requires buyer agreement and is done through formal amendments on the GeM portal. The buyer must approve any modification request.

11. What is the performance security/bank guarantee requirement?

Performance Security, also called Performance Bank Guarantee (PBG), is a deposit to ensure the seller fulfills the contract as agreed. You must submit the performance security within the stipulated period after the contract is awarded, typically within 10-15 days. The security is released after successful completion of the contract and expiry of the defect liability period, usually 30-60 days after final acceptance. It's forfeited partially or fully if you fail to deliver as per contract terms, deliver defective goods or services, breach contract conditions, or abandon the contract. MSME sellers often get exemptions or reduced performance security requirements.

12. How do I generate and upload a Consignee Receipt and Acceptance Certificate (CRAC)?

CRAC is generated by the consignee (buyer), not the seller.

- After you deliver the products, the buyer's receiving authority inspects the goods, verifies quantity and quality against the order, and if satisfied, uploads the CRAC on GeM.
- After delivery, immediately inform the consignee about delivery completion via phone and email, share delivery challan and invoice copies, and request them to inspect and upload CRAC at the earliest.
- Sometimes buyers may request you to provide a draft CRAC or delivery acceptance document that they can verify and approve.
- Once the consignee uploads CRAC, you can see it in your GeM dashboard under the order details. This triggers the payment processing.

13. What quality standards or certifications are required for products listed on GeM (BIS, ISI, ISO, etc.)?

Certification requirements on GeM depend on the specific product category:

- BIS certification is mandatory for products under compulsory BIS regime (many electronics, electrical items, construction materials, consumer goods).
- ISI mark (issued under BIS) is required where notified standards apply.
- ISO certification (ISO 9001, 14001, etc.) is usually not mandatory but improves credibility and bid strength.
- Food products require a valid FSSAI license.
- Agmark applies to certain agricultural products.
- Organic certification is required if claiming organic status.
- Sector-specific certifications may apply, such as medical device approvals, energy efficiency labels, NABL accreditation (for testing equipment), etc.
- For services, professional registrations or compliance certificates may be required depending on the category.

14. How does the rating and review system work on GeM?

The GeM rating and review system is critical for your success on the platform as it directly impacts buyer decisions and your visibility.

- After successful delivery and CRAC upload, buyers can rate your performance.
- Ratings are usually on a 5-star scale (1 = poor, 5 = excellent).
- Buyers evaluate factors like product quality, timely delivery, packaging, documentation, and responsiveness.
- Your overall seller rating is the average of all ratings received across orders.
- Buyers can also leave written reviews visible on your profile and product listings.
- If you receive a low rating, analyze the issue, resolve it professionally, and improve processes. You may politely respond or contact the buyer to clarify concerns.
- Buyers do not always rate automatically, so you can courteously request feedback after successful delivery.

15. What should I do if a buyer rejects my delivered product or raises quality concerns after delivery?

When a buyer raises quality concerns:

- Understand the issue clearly. Ask the buyer for specific defects, photos, inspection remarks, and quantity affected.
- Compare with your records. Check order specifications, delivery challan, inspection reports, and photographs of dispatched goods.
- If the defect is genuine:
 - Acknowledge promptly and professionally.
 - Offer replacement, repair, discount, or credit note as appropriate.
- If the rejection seems unfair:
 - Share supporting evidence (specifications, photos, compliance proof).
 - Request joint inspection or third-party verification.
 - Use GeM's dispute resolution mechanism if required.
 - Know contract terms. Review penalty clauses, return conditions, and warranty obligations.
 - Act quickly. Delays can affect payment, rating, and reputation. Sometimes a practical settlement is better than prolonged dispute.

16. Can I supply products manufactured by another company (trading/reselling)? Do I need special authorization from the OEM?

You can absolutely be a trader or reseller on GeM and supply products manufactured by others. You don't necessarily need to be the manufacturer.

- You must sell products manufactured in India
- While listing products, you must clearly indicate whether you are an OEM or reseller.
- For many categories (especially electronics, machinery, branded products), an OEM Authorization Certificate may be required.
- The OEM authorization letter should:
 - Be on manufacturer's letterhead
 - Clearly authorize you to sell specific products/models
 - Be signed by the manufacturer's authorized signatory
 - Mention validity period
- Upload the authorization on your GeM profile or with the product listing, if required.

17. What is the GeM Availability From Date? How do I set realistic delivery timelines to avoid penalties?

The "Availability From Date" on GeM indicates when your product will be available for delivery after an order is placed.

- When listing a product, you specify the delivery period in the number of days from the order date.

- Setting realistic delivery timelines requires considering several factors including whether you stock the product or need to procure it, availability of raw materials, manufacturing time, transportation time from your location to likely buyer locations, processing time for documentation and dispatch, and buffer time for contingencies
- You can mention different delivery periods for different products in your catalog based on their individual procurement and supply characteristics.
- Once you commit to a delivery period and receive an order, monitor it actively to ensure on-time delivery.

18. Can I participate in GeM bids if I don't have prior government supply experience or work order history?

Yes, New sellers without experience can participate in direct purchase orders where buyers select from catalog listings, reverse auctions for competitive bidding, and many RFPs that don't mandate prior experience. What matters more on GeM is your profile completion percentage, quality certifications relevant to your products, competitive pricing, good product descriptions and specifications, and after you start, positive ratings and reviews from buyers. Some buyers filter sellers by minimum rating or minimum number of past orders. As a new seller with zero orders, you won't appear in such filtered searches. This is why being price-competitive initially helps you win orders from buyers who don't apply such filters, allowing you to build your order history and ratings.

19. How do I track my order status, shipment, and payment on the GeM dashboard?

GeM provides a comprehensive dashboard for sellers to track all aspects of their orders in real-time. To access your order tracking:

- Log in to your GeM Seller Account and go to the "Orders" section.
- You will see a list of all orders with their current status (e.g., Order Placed, Accepted, Dispatched, Delivered, CRAC Pending, Payment Processing).
- Click on a specific Order Number to view full details including:
 - Buyer and delivery address
 - Product details and quantity
 - Delivery timeline
 - Uploaded documents (Invoice, Delivery Challan, CRAC)
 - Payment status
- To track payments, go to the "Payments" or "Financial" to check:
 - Pending payments
 - Payment processing status
 - Payment received history
 - Order-wise receivables
- Check notifications and alerts regularly for new orders, CRAC updates, buyer messages, and payment credits.

20. What are common reasons for seller suspension or debarment from GeM?

Common Reasons for Suspension or Debarment is:

- Non-Performance - Repeated order cancellations after acceptance, failure to deliver on time or abandoning contracts midway

- Quality Issues - Supplying goods not matching specifications or repeated product rejections
- Fraudulent Practices - Fake certificates or documents, misrepresentation of credentials, bid rigging or cartel formation or impersonation or misuse of identity
- Policy Violations - Selling restricted/prohibited items without authorization or not honoring warranty or after-sales commitments
- Unethical Conduct - Bribery or kickbacks, harassment or abusive communication
- Financial Irregularities - Repeated incorrect bank details or suspicious financial activity
- Multiple Buyer Complaints - Consistent complaints regarding quality, delivery, or conduct

21. Can I claim my GeM turnover or orders as proof of business credibility for bank loans or other government schemes?

Ans - Yes, GeM turnover and order history can be used as proof of business credibility for bank loans and government schemes. GeM transactions are official government procurement records, which makes them highly credible.

- You can submit:
 - GeM Order Statements (order-wise details, values, delivery status)
 - GeM Turnover Certificate (official summary of sales for a period)
 - Seller rating and performance details

Many banks now have specialised MSME loan products that specifically consider GeM turnover. Some public sector banks also have tie-ups with GeM for priority lending to active GeM sellers.



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IMPORT- EXPORT

1. What is the complete import process from sourcing to customs clearance?

The complete import process is as follows:

- Source & Negotiate - Identify supplier, negotiate price, quantity, Incoterms, and finalise purchase order.
- Arrange Payment - Decide terms, advance payment, Letter of Credit (LC), or credit terms.
- Obtain IEC - Secure Import Export Code (IEC) before shipment.
- Decide Freight & Shipment Mode - Choose appropriate freight modalities and mode of shipment (air/sea/land) based on cost, urgency, and nature of goods.
- Register with Port/Airport - Register your entity with the port/airport from where you will clear goods (preferential or non-preferential).
- Shipment & Documentation - Supplier ships goods and provides documents (Invoice, Packing List, Bill of Lading/Airway Bill, Certificate of Origin, etc.).
- File Bill of Entry - Customs House Agent (CHA) files Bill of Entry electronically after goods arrive.
- Duty Assessment & Payment - Customs assesses value and applicable duties (Customs Duty + IGST + other charges). Pay required taxes.
- Customs Clearance - Goods may be examined (physical/risk-based). Upon approval, customs grant clearance. You can clear the goods yourself or through a Customs House Agent. Upon approval, customs grant clearance.
- Delivery of Goods - Take delivery and move goods to the warehouse/factory.

This section offers a concise roadmap for MSMEs entering international trade. It outlines the steps to start exporting, obtain essential registrations like IEC, and navigate DGFT policies, documentation, and payment mechanisms. The guide also explains key incentives, logistics solutions, and export finance options, helping businesses build confidence in cross-border commerce.

Import-Export



From all the queries **9%** of queries were from this domain.

2. What is the role of a Customs House Agent (CHA) in imports?

A Customs House Agent is a licensed professional who acts as your representative for customs clearance. His role includes:

- Customs Clearance – Acts on your behalf for import clearance.
- Filing of Bill of Entry – Prepares and submits documents electronically.
- ITC-HS Classification – Classifies goods correctly to determine duties.
- Duty Calculation & Payment – Computes customs duty and IGST.
- Liaison with Customs – Handles queries, inspections, and compliance.
- Facilitates Delivery – Coordinates release and movement of goods from port/airport.

3. What is a Commercial Invoice, and how do I prepare it?

A Commercial Invoice serves as a bill for the goods sold and contains all essential information about the transaction. To prepare it, include:

- Seller & Buyer Details – Name, address, contact information
- Invoice Number & Date
- IEC & GST Number (for exports from India)
- Incoterms (e.g., FOB, CIF)
- Description of Goods – ITC-HS code classification, quantity, unit price, total value
- Freight & Insurance Charges (if applicable)
- Total Invoice Value & Currency
- Payment Terms & Banking Details
- Signature and company stamp

4. What is pre-shipment and post-shipment export finance?

Pre-shipment vs Post-shipment Finance

Basis	Pre-Shipment Finance (Packing Credit)	Post-Shipment Finance
When Given	Before goods are shipped	After shipment, but before payment is received
Purpose	To fund production, raw materials, packing, and processing	To bridge the cash flow during the buyer's credit period
Security	Based on a confirmed export order or LC	Based on shipping documents/invoices
Funds Received	Covers production costs	80–90% of the invoice value is advanced by the bank
Tenure	Usually 180–360 days	Until buyer makes payment, subject to a maximum period as prescribed by the Reserve Bank of India (RBI) guidelines. Any extension beyond the stipulated period may be considered only with the approval of the bank, and in accordance with RBI regulations.

5. What are the commonly used Incoterms, and what will suit best as a new exporter?

Incoterms define who pays for shipping, insurance, and customs duties, and when risk transfers from seller to buyer. The most common are:

Incoterm	Seller's Responsibility	Buyer's Responsibility
EXW (Ex Works)	Makes goods available at the factory	Handles pickup, export, shipping, insurance, import, clearance, and payment of duties.
FOB (Free on Board)	Delivers goods to ship at origin port, completes formalities for exports.	Pays freight, insurance, customs duties, clears goods for import,
CIF (Cost, Insurance & Freight)	Pays for goods, freight, and insurance to the destination port	Handles import clearance, payment of customs duty and other charges and local delivery

6. What is a Fumigation Certificate, and where can I get it?

A Fumigation Certificate is proof that wooden packaging materials used in your export shipment has been treated to kill pests and insects. To obtain the certificate, contact fumigation agencies approved by the Plant Quarantine Department or authorised by the Directorate of Plant Protection. They inspect your wooden packaging, perform the treatment if needed, stamp the wood with an IPPC mark, and issue the fumigation certificate. Get this done before shipping, as many destination countries, especially the USA, EU, Australia, and New Zealand, will reject shipments without proper fumigation certificates for wood packaging. Some exporters avoid this by using fumigation-free alternatives like plastic pallets, cardboard packaging, or plywood that doesn't require treatment.

7. How do I find genuine international buyers for my products?

Finding genuine international buyers requires a multi-channel approach.

- Participate in buyer-seller meets, trade fairs, and trade connect programs organised by Export Promotion Councils, ITPO, government, FIEO or Chamber of Commerce,
- Participate in or visit international exhibitions in your industry (India & abroad).
- Register on B2B platforms (Alibaba, Global Sources, IndiaMART).
- Approach buyers directly by researching importers in your target country.
- Use referrals and industry networks for trusted connections.
- Appoint local agents or export consultants in target markets.
- To verify genuine buyers: Check company registration and online presence- Verify the buyer's legal existence, website, and digital footprint.
- Check if the buyer is listed in any of the official 'Caution Lists'
- Approach ECGC Ltd. to verify the creditworthiness of the overseas buyer.
- Ask for trade references.
- Start with small trial orders or request advance payment.
- Use Letter of Credit (LC) for secure transactions.
- Verify address via video call or third-party checks.

8. How long does it take to complete the entire export process from order confirmation to payment receipt?

The complete export timeline varies significantly based on destination, product type, and payment terms, but here's a typical flow:

- Buyer Verification & Order Confirmation
- Manufacturing/Procurement: 15–45 days
- Pre-shipment & Documentation: 5–7 days
- Sea Transit:
 - Nearby countries: ~7–10 days
 - USA/Europe: 20–30+ days
- Import Clearance & Buyer Acceptance: 5–10 days
- Credit Period (if any): 30–90 days
- Bank Processing: 3–7 days

9. What should I do if my buyer refuses to pay or delays payment after receiving the goods?

If the payment is delayed by the international buyer:

- Contact the buyer immediately and understand the reason.
- Review contract and payment terms to assess your legal position.
- Notify ECGC - Inform ECGC Ltd. in case of non-payment, provided you have obtained a creditworthiness report on the buyer and have taken an ECGC policy prior to shipment. If quality dispute → request proof, negotiate settlement, or agree on partial payment.
- If financial issues → propose a structured payment plan.
- Approach the Indian Diplomatic Mission in the buyer's country.
- If unresponsive → send a formal legal notice.
- Engage a local lawyer or recovery agency in the buyer's country if needed.
- As a last resort → pursue arbitration or legal action.

10. What is the difference between Advance Authorisation, EPCG, and Duty Drawback schemes?

These are three different export incentive schemes:

Scheme	Advance Authorization	EPCG (Export Promotion Capital Goods)	Duty Drawback
Purpose	Import or source locally the raw materials duty-free for export production	Import machinery/equipment at zero or concessional duty	Refund of duty paid on imported inputs
Benefit	No customs duty on inputs	Saves duty on capital goods	Get a refund after export
Export Obligation	Must export finished goods within 18–24 months	Export 6x the duty saved within 6 years	No separate obligation (linked to export value)
Best For	Exporters importing raw materials	Manufacturers upgrading machinery	Exporters who have already paid import duty

11. What is RoSCTL and RoDTEP? How do I claim these export incentive schemes, and when is the benefit credited?

These schemes provide incentives to exporters by compensating for taxes and duties that aren't refunded through other means.

- RoDTEP refunds central, state, and local duties/taxes that were not exempted or refunded under other schemes.
- RoSCTL (Rebate of State and Central Taxes and Levies) is specifically for garment and made-up exporters.
- To claim: Ensure your exports are under eligible HSN codes and destination countries. File your shipping bill electronically through ICEGATE, ensuring all details are accurate. The shipping bill must be marked "with RoDTEP" or "with RoSCTL" at the time of filing. After customs examination and LEO (Let Export Order), your claim is automatically processed.
- The benefit is credited to your Duty Credit Ledger as transferable duty credit scrips, typically within 30-60 days after export. You can view the status on the ICEGATE portal under the services section. These duty credits can be used to pay basic customs duty on imports, transferred/sold to other importers, or used for other specified purposes.

12. How do I handle product returns, rejections, or quality disputes from international buyers?

When a buyer raises a quality complaint:

- Respond immediately and professionally - Ask for detailed defect description, photos/videos, quantity affected, and inspection reports.
- Review your documents - Check pre-shipment inspection reports, quality certificates, samples, and contract terms.
- Identify the root cause - Determine if the issue occurred during production, transit (insurance claim), or buyer's handling.
- Resolve based on situation:
- Genuine defect → offer discount, replacement, or credit note.
- Minor/subjective issue → negotiate partial settlement.
- Transit damage → file claim with insurance/shipping line.
- If goods are returned:
- Buyer ships goods back.
- File Bill of Entry for re-import claiming duty exemption (returned export goods).
- After clearance, issue replacement or credit.

13. What packaging and labeling standards are mandatory for exporting to countries like the USA, EU, or Middle East?

When exporting, labeling rules depends on the destination and product type:

Requirement	USA	European Union	Middle East
Language	English	Language of destination country	Arabic (often bilingual)
Country of Origin	Mandatory ("Made in India")	Mandatory	Mandatory
Manufacturer/Importer Details	Required	EU importer details required	Required
Product Safety Marks	FCC (electronics), CPSIA (kids products)	CE marking (if applicable)	GSO compliance; SABER (Saudi Arabia)
Food Products	FDA nutrition label	EU food labeling rules	Halal certification often required
Chemical Compliance	Product-specific	REACH compliance	Product-specific

These are ever evolving. Please check official websites in India or of importing countries for the latest information.

14. Do I need separate certifications like FDA, CE, Halal, or Organic for different countries?

Certifications are often mandatory and vary by product type and destination country. Some of which are:

Certification	When Required	Destination
FDA Registration	Food, beverages, cosmetics, medical devices, pharmaceutical products.	USA
CE Marking	Electronics, machinery, toys, medical devices, construction items	European Union
Halal Certification	Food, cosmetics, pharmaceuticals	Middle East, Malaysia, Indonesia, etc.
Organic Certification	If product is sold as "Organic"	EU (EU Organic), USA (USDA Organic)

Other Important Certification are:

- GMP – Pharmaceuticals & food processing
- ISO – Quality management (global credibility)
- FSSAI – Food exports from India
- BIS – Specific regulated products

15. What is the minimum order quantity (MOQ) international buyers usually expect? Can I start with small trial orders?

MOQ expectations vary greatly depending on the product category, buyer type, and the importer's size and requirement at the given point in time and your position as a supplier.

- Large retail chains and importers typically expect container loads (20ft or 40ft containers) to make shipping economical.
- Wholesalers and distributors might accept smaller quantities, ranging from a few hundred to a few thousand units.
- Specialized or high-value products often have lower MOQs as the per-unit value is higher.
- Trial orders typically range from 10-30% of a regular order quantity.
- To make trial orders work, be clear about pricing differences, as your trial order price might be slightly higher than full-container prices.
- You may use air freight for faster delivery despite higher cost, as it demonstrates your efficiency.
- Ensure impeccable quality in trial orders since this determines whether you get larger repeat orders.
- Communicate proactively throughout the process, and prepare to scale up quickly if the trial succeeds.
- Check if the importer is willing to pay for trial orders.

16. What is Bill of Lading, Shipping bill and Airway Bill?

These are three critical documents in export shipping:

Document	Used For	Issued By	Purpose
Bill of Lading (B/L)	Sea shipments	Shipping line	Receipt of goods + contract of carriage + document of title (buyer needs it to claim goods)
Shipping Bill	All exports from India	Indian Customs	Export clearance document filed with customs
Airway Bill (AWB)	Air shipments	Airline	Receipt of goods + contract of carriage (not a title document)

17. Can I export without physically shipping goods (re-export, merchant export, third-party export)?

Yes, there are several export models that don't require you to manufacture or physically handle goods.

- Merchant Export - You buy goods from Indian manufacturers and export under your name. You earn margin as a merchant exporter.
- Third-Party Export - You manufacture goods, but export through another exporter's IEC.
- Re-Export - Import goods and then export them in (same condition or after minor processing).
- Deemed Export - Goods don't leave India but are treated as exports for benefits.

18. What are common reasons that lead to customs penalties, shipment detention, or goods being sent back?

Common reasons for custom penalties or shipment detention:

- Incorrect or Incomplete Documents - Mismatch in invoice, packing list, or shipping details, Missing certificates/permits and so on
- Valuation Issues - Undervaluing or overvaluing goods.
- Quality & Certification Problems - Missing mandatory certifications (FDA, CE, etc.), Improper labelling or missing country-of-origin mark etc
- Regulatory Non-Compliance.
- Delay in customs clearance on your part.

19. How do I handle foreign exchange (forex) fluctuations?

Forex fluctuations can significantly impact your export profitability since you quote prices in foreign currency but incur costs in rupees. To manage forex risk:

- Use Natural Hedging - Match foreign currency inflows and outflows (e.g., import and export in USD).
- Use Forward Contracts - Lock in an exchange rate with your bank for future payments.
- Use Currency Options - Protect against adverse movements while keeping upside benefit.
- Maintain Forex Account - Hold foreign earnings and convert when rates are favorable. (Exchange Earners Foreign Currency Accounts)
- Reduce Exposure Time - Collect payments quickly and avoid long credit periods.
- Negotiate Better Rates - Banks usually offer better forex rates than money changers; strong export turnover helps.

20. How do I track my shipment and ensure it reaches the buyer on time? What if there's damage or loss during transit?

To track the shipment:

- For sea freight, the shipping line provides a container number and B/L number that you can track on their website or apps, showing the vessel's current location, port departures and arrivals, and estimated delivery date.
- For air freight, use the Airway Bill number to track on the airline's cargo tracking system with real-time updates on departure, transit, and arrival. You can also use third-party tracking platforms like Freightos, Marine Traffic for vessel tracking, or FlightAware for air cargo, which aggregate data from multiple carriers.
- If damage or loss occurs during transit:

- Notify the carrier immediately (shipping line/airline).
- Inform your insurance company (if insured).
- Take photos and document damage clearly.
- Arrange a survey report at destination.
- Preserve packaging and goods as evidence.

21. What compliance and annual filings are required once I start exporting?

Compliance and Annual Filings:

- GST Compliance
- GSTR-1 – Monthly outward supply return (includes exports).
- GSTR-3B – Monthly summary return and tax payment.
- GSTR-9 – Annual GST return.
- Income Tax Compliance
- Annual ITR filing with export income details.
- Advance tax payments (quarterly, if applicable).
- TDS returns (if you deduct TDS).
- DGFT Compliance
- Maintain valid IEC.
- File required returns (if applicable).
- Fulfill obligations under schemes like Advance Authorization / EPCG and submit completion reports.
- FEMA & Banking Compliance
- Realize export proceeds within 9 months.
- Obtain BRC/FIRC from the bank as proof of realization.
- Maintain proper forex records.
- Other (If Applicable)
- Transfer pricing documentation (for related-party international transactions).
- Maintain export documentation for audits.



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