International Journal of Creative and Open Research in Engineering and Management
ISSN: 3108-1754 (Online)
Volume 02 Issue 11 November-2026 | Impact Factor: 3.5



A Study on Procurement of Goods by SEZ Units from the Domestic Tariff Area (DTA)

A Study Based on On-the-Job Training at MOON SEZ & Management Consultants LLP

Submitted by

Rushikesh Santosh Kawtikwar

PRN: 0101202510112088

Programme: Master of Business Administration (Two-Year, Full-Time)

Specialization: Financial Management | Semester III | Division A2F2

Under the guidance of

Prof. Aishwarya Pawar

School of Business, Indira University

Tathwade, Pune – 411033

Abstract

This paper examines how Special Economic Zone (SEZ) units procure goods from the Domestic Tariff Area (DTA) under India's zero-rated supply framework, and what the process implies for compliance risk and working capital. The study draws on on-the-job training in the DTA Department of MOON SEZ & Management Consultants LLP, Pune, between 1 June and 3 August 2026, supplemented by secondary data on SEZ exports and the state-wise distribution of operational SEZs.

A descriptive, single-organisation design is used. Findings are derived from direct task participation, review of SEZ Online Portal documentation, and arithmetic analysis of the secondary data. SEZ exports rose from Rs. 7,96,669 crore in 2019-20 to Rs. 16,36,192 crore in 2025-26, a cumulative increase of 105.38 per cent and a compound annual growth rate of 12.74 per cent, with a single contraction of 4.66 per cent in 2020-21. Five states account for 185 operational SEZs, with Tamil Nadu holding 27.6 per cent of that group.

The DTA procurement workflow is a sequential, eight-step control chain in which early errors cascade into later delays. In an anonymised case transaction with a taxable value of Rs. 15,46,980, the zero-rated treatment removed an upfront IGST outlay of Rs. 2,78,456.40, equal to 18 per cent of taxable value. Letter of Undertaking (LUT) validity and GSTIN verification emerge as the highest-consequence controls. Five process recommendations are proposed. No primary survey data were available, and results are descriptive rather than inferential.

How to Cite this Article:

Kawtikwar, R. S. (2026). A Study on Procurement of Goods by SEZ Units from the Domestic Tariff Area (DTA). International Journal of Creative and Open Research in Engineering and Management, 02(11), 1-9. https://doi.org/10.55041/ijcope.v2i11.003

License:

This article is published under the terms of the Creative Commons Attribution 4.0 International License (CC BY 4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author(s) and the source are credited.

© The Author(s). Published by International Journal of Creative and Open Research in Engineering and Management.







https://doi.org/10.55041/ijcope.v2i11.003

Keywords: Special Economic Zones; Domestic Tariff Area; zero-rated supply; Letter of Undertaking; IGST; compliance risk; working capital; SEZ Online Portal



1. Introduction and Background

1.1 Context of the study

A Special Economic Zone is a geographically demarcated enclave that is treated, for customs and trade purposes, as lying outside the normal customs territory of the country. India's SEZ policy was introduced in April 2000 to promote export competitiveness and was formalised through the Special Economic Zones Act, 2005 and the SEZ Rules, 2006. Units operating inside an SEZ may procure goods from the Domestic Tariff Area (DTA), that is, the rest of India outside notified SEZ areas, without payment of applicable duty, provided that prescribed documentation and procedural conditions are satisfied.

For a finance student, the interest of this arrangement lies in its cash-flow and risk implications. When a DTA supplier invoices an SEZ unit as a zero-rated supply under a valid Letter of Undertaking (LUT), no Integrated Goods and Services Tax (IGST) is paid at the time of purchase. The benefit, however, is conditional. It survives only if the invoice, the classification of goods, the registrations of both parties and the LUT are verified before the transaction is recorded on the Government's SEZ Online Portal. This paper studies that verification chain as it operates in practice at a specialist SEZ consulting firm.

1.2 The SEZ sector and the advisory industry

SEZs in India are concentrated in IT and IT-enabled services, followed by manufacturing, pharmaceuticals, textiles and engineering goods. The sector is governed by the intersection of the SEZ Act and Rules, GST law and Customs law, and administered by the Department of Commerce, with the SEZ Online Portal operated by NSDL Database Management Limited on its behalf. The Indian management consulting market, within which SEZ advisory sits as a specialised niche, was estimated at approximately USD 9.36 billion in 2026, although estimates vary with how the industry is defined.

The SEZ compliance segment is fragmented, ranging from diversified professional-services firms that offer SEZ advisory within a broader tax practice to boutique SEZ-specific consultancies. No independent market-share data are available because most firms are privately held. Applying Porter's Five Forces, the threat of new entrants is moderate because regulatory expertise and government-liaison relationships act as entry barriers; supplier power is low because key inputs are standardised government systems; buyer power is moderate to high because larger SEZ clients can choose among several firms; the threat of substitutes is moderate because some SEZ units run in-house compliance teams; and rivalry is moderate, with firms competing on accuracy, turnaround time and technology integration (Kawtikwar, 2026).

The sector is also in regulatory transition. In March 2026 a 17-member committee was constituted to recommend comprehensive reform of the SEZ Act, 2005 ("SEZ 2.0"), with the aim of harmonising SEZs with other export-promotion schemes. In April 2026 the Department of Commerce convened a meeting on eleven long-standing compliance issues affecting SEZs and Export-Oriented Units. Filing for certain SEZ categories is also moving towards the CBIC-integrated ICEGATE platform, and electronic Bond-cum-Legal-Undertaking (e-BLUT) execution is being introduced. These developments mean that compliance practice is a moving target.

1.3 Company profile: MOON SEZ & Management Consultants LLP

MOON SEZ & Management Consultants LLP is the flagship firm of the Moon Group, founded in 2006 by CA Ratan Moondra, who began his career as a Chartered Accountant in 1997. The firm began with audit, assurance, taxation and advisory services, moved into EPZ, STPI and EOU consultancy, and expanded into SEZ consultancy after the enactment of the SEZ Act in 2005. It is headquartered in Pune and reports more than sixteen offices, including those in Bangalore, Mumbai, Noida and Nagpur. Its services include SEZ unit and developer regularisation, Bill of Entry preparation, SOFTEX and Annual Performance Report preparation, Bill of Export and Shipping Bill preparation, temporary removal challans and DTA sale documentation. The firm describes a hybrid model that combines advisory, compliance support and customs clearance, and holds ISO 9001:2008 certification. As a privately held LLP, it does not publish turnover or profit, so no financial ratios could be computed. Table 1 presents a SWOT summary.



Table 1: SWOT analysis of MOON SEZ & Management Consultants LLP

Strengths	Weaknesses
Integrated hybrid service model (advisory, compliance, customs clearance) Leadership experience in SEZ, STPI and tax advisory ISO 9001:2008 certification signalling process standardisation Multi-city presence	High dependency on regulatory continuity Procedural, replicable service model limits pricing power Manual HSN and GST cross-checking is labour-intensive
Opportunities	**Threats**
Digitisation of SEZ compliance (ICEGATE, e-BLUT) SEZ 2.0 reform creating transition-advisory demand Consolidation of export-reporting formats IFSC and GIFT City advisory niche	Platform migration from SEZ Online to ICEGATE Rising in-house compliance automation at SEZ units Uncertain timeline of reform Bundled offerings from larger diversified firms

Source: Compiled by the author from the OJT report (Kawtikwar, 2026), Section 3.8.

1.4 Key concepts

The workflow studied in this paper rests on a small set of statutory and administrative concepts, summarised in Table 2.

Table 2: Key concepts in SEZ–DTA procurement

Concept	Meaning and relevance
Domestic Tariff Area (DTA)	The whole of India excluding notified SEZ areas (Section 2(i), SEZ Act). Whether a supplier is in the DTA or an SEZ determines whether ordinary GST rules or zero-rated treatment applies.
Zero-rated supply	Defined in Section 16 of the IGST Act to include supply to an SEZ developer or unit. It justifies non-payment of IGST on such supplies.
Letter of Undertaking (LUT)	A registered supplier's declaration under Rule 96A of the CGST Rules, filed in Form GST RFD-11, to supply without payment of IGST. Its validity and correct citation on the invoice is the most consequential item checked.
HSN code	A standardised multi-digit classification of goods used to determine the GST rate. An incorrect code can create a mismatch between the treatment claimed and what the classification supports.
GSTIN verification	Both the SEZ unit and the DTA supplier must hold valid GST registrations for the zero-rated mechanism to operate.
Request ID	An administrative identifier generated by the SEZ Online Portal after successful submission of a DTA procurement request. It is the evidence trail around which tracking and audit-readiness are organised.

Source: Compiled by the author from the OJT report (Kawtikwar, 2026), Chapter 4.

1.5 Problem statement and significance

Existing writing on SEZs is largely concerned with macro-level outcomes such as exports, investment and employment. Much less is available on the transaction-level controls that determine whether a unit actually receives the tax treatment that policy intends. This paper addresses that gap by documenting, from within a consulting firm, how a DTA procurement transaction is verified, where it can fail, and what a failure costs.



The study is significant for three reasons. First, it links a statutory concept, zero-rated supply, to an observable cash-flow effect. Second, it shows that verification controls are not equally weighted in their consequences, which is a risk-management insight that carries beyond SEZ compliance. Third, it offers practical recommendations to a compliance-driven firm operating in a period of regulatory change.

2. Review of Literature

The literature consulted for this study falls into three broad themes. The sources are those listed in the bibliography of the underlying OJT report, and their descriptions below are limited to the scope indicated by their titles.

Economic impact of SEZs. A first group of studies examines the contribution of SEZs to employment, poverty reduction, trade and investment. Aggarwal (2007) considers the impact of SEZs on employment, poverty and human development, while Shah (2009) reviews investment, trade, employment generation and impact assessment. Devi (2018) focuses on the growth of exports, investment and employment in Indian SEZs. These works establish the macroeconomic rationale for SEZ policy, which the export series analysed in Section 5.1 of this paper illustrates.

Policy design and developmental spillovers. A second group asks whether SEZs generate wider developmental effects and how policy should be designed. Alkon (2018) investigates developmental spillovers from SEZs across Indian states. Aggarwal (2010) discusses theoretical approaches to the economic impact of newly notified SEZs, and Aggarwal (2019) argues for a developmental approach to SEZs and economic transformation. Dhingra and Singh (2009) describe the Indian approach to SEZs.

Land, urbanisation and comparative experience. A third group places Indian SEZs in a wider spatial and international context. Jenkins, Kennedy, Mukhopadhyay and Pradhan (2015) examine the relationship between land, development and urbanisation. Joshi and Bhatia (2016) compare SEZs in India and China, and Zeng (2015) surveys global experience with SEZs for the World Bank. Palit (2009) discusses issues and perspectives in the growth of Indian SEZs, and Karmakar (2025) examines the role of SEZs in economic development.

Research gap. The sources above are predominantly concerned with outcomes at the level of the economy, a state or a zone. Within the sources available to the author, none addresses the invoice-level verification of DTA procurement by SEZ units or its working-capital and compliance-risk implications. This paper therefore contributes a practitioner-level account of that process, anchored in the statutory provisions of the SEZ Act, 2005, the SEZ Rules, 2006, Section 16 of the IGST Act and Rule 96A of the CGST Rules.

3. Research Objectives and Hypotheses

3.1 Objectives

1. To understand the concept and regulatory framework of SEZs and their role in facilitating procurement from the DTA.
2. To study the procedural and compliance requirements in invoice verification for DTA–SEZ transactions, including HSN classification, GST rate applicability and LUT validity.
3. To examine the role of the SEZ Online Portal in Request ID generation and in ensuring transaction compliance.
4. To analyse the internal tracking and documentation practices followed by MOON SEZ in DTA procurement.
5. To identify practical challenges in DTA–SEZ procurement compliance and to suggest measures for process improvement.

3.2 Hypotheses

Because the study is descriptive and no primary survey data were available, the hypotheses below are stated as testable propositions that can be assessed against the data in hand. They are not subjected to statistical significance testing.

H1: SEZ exports showed sustained growth between 2019-20 and 2025-26, notwithstanding a contraction in the pandemic year.



H2: Operational SEZs are geographically concentrated in a small number of states.

H3: Zero-rated supply under a valid LUT removes an upfront IGST outlay equal to the applicable rate multiplied by the taxable value.

H4: Errors introduced at early verification stages cascade into delays at later stages, so controls should be weighted by the consequence of failure.

4. Research Methodology

Research design. The study follows a descriptive, exploratory design based on a single organisation. It combines participant observation during the training with the analysis of secondary data, and it is mainly qualitative with a limited quantitative component.

Setting and period. The training was undertaken in the DTA Department of MOON SEZ & Management Consultants LLP, Pimpri-Chinchwad, Pune, from 1 June 2026 to 3 August 2026, a period of approximately nine weeks.

Data sources. Primary information consists of direct participation in the tasks assigned to the intern and observation of the departmental workflow. Secondary data consist of the SEZ Online Portal documentation, the statutory framework, the internal tracker structure, and two published data series: SEZ exports for 2019-20 to 2025-26 and the number of operational SEZs in five leading states.

Unit of analysis and sampling. The unit of analysis is the DTA procurement transaction. One anonymised transaction is analysed in detail in Section 5.4. As the study rests on observation rather than a sample survey, no sampling frame or sample size applies, and no questionnaire responses were collected.

Tools of analysis. Descriptive statistics are used for the secondary series: year-on-year growth, cumulative growth, compound annual growth rate (CAGR), mean and standard deviation, and percentage shares. CAGR is computed as (V_end / V_start)^(1/n) − 1, where n is the number of years. The case transaction is analysed arithmetically, and workflow controls are classified qualitatively by consequence of failure. Charts and tables are prepared directly from the figures reported.

Ethical considerations. Client transaction data are confidential. The names of the SEZ unit and the DTA supplier, the LUT number and the Request ID are therefore withheld, and the transaction is presented in anonymised form.

5. Data Analysis and Interpretation

5.1 Export performance of SEZs

Table 3 reports SEZ exports for seven financial years together with year-on-year change computed from the reported figures. Figures 1 and 2 present the level and the growth rate respectively.

Table 3: SEZ exports, 2019-20 to 2025-26

Financial year	Exports (Rs. crore)	Exports (Rs. lakh crore)	YoY change (%)
2019-20	7,96,669	7.97	–
2020-21	7,59,524	7.60	-4.66
2021-22	9,90,747	9.91	+30.44
2022-23	12,63,578	12.64	+27.54
2023-24	13,55,220	13.55	+7.25
2024-25	14,63,669	14.64	+8.00
2025-26	16,36,192	16.36	+11.79

Source: SEZ export data as reported in the OJT report (Kawtikwar, 2026), Chapter 7; growth rates computed by the author.

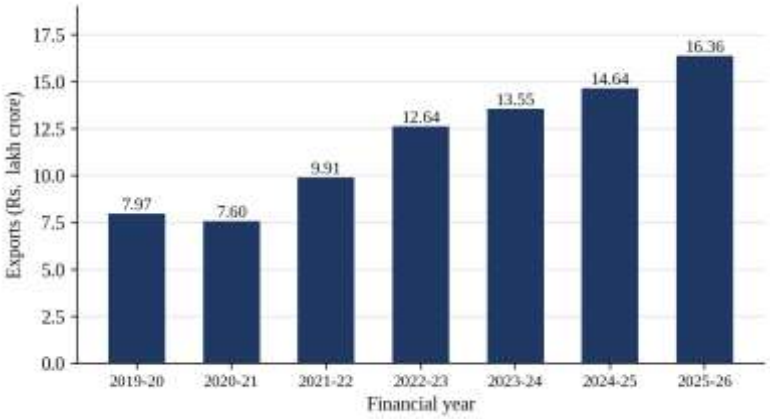


Figure 1: SEZ exports, 2019-20 to 2025-26 (Rs. lakh crore)

Source: Table 3.

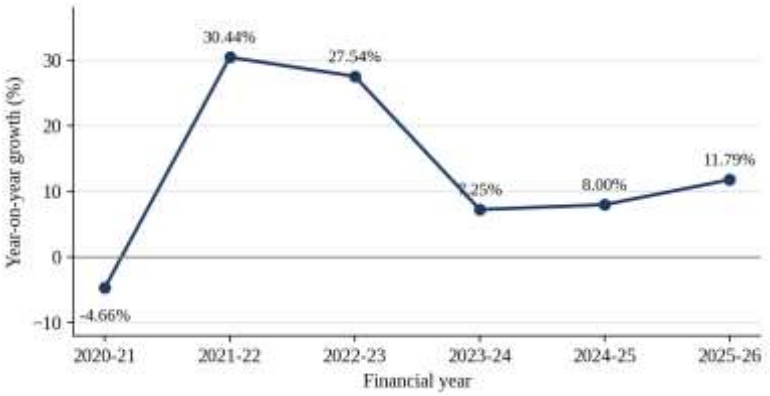


Figure 2: Year-on-year growth in SEZ exports (per cent)

Source: Computed from Table 3.

Interpretation. Exports increased from Rs. 7,96,669 crore in 2019-20 to Rs. 16,36,192 crore in 2025-26, an absolute rise of Rs. 8,39,523 crore, or 105.38 per cent. The implied compound annual growth rate over the six years is 12.74 per cent. The only contraction occurred in 2020-21, when exports fell by 4.66 per cent to Rs. 7,59,524 crore, a period heavily affected by the pandemic. Recovery was rapid: exports grew by 30.44 per cent in 2021-22 and 27.54 per cent in 2022-23. From 2023-24 onward growth moderated to between 7.25 and 11.79 per cent a year. Measured from the 2020-21 trough, the CAGR to 2025-26 is 16.59 per cent.

The mean annual growth rate over the six observations is 13.39 per cent with a population standard deviation of 12.15 percentage points, which indicates substantial volatility driven by the pandemic dip and rebound. Hypothesis H1 is therefore supported in the descriptive sense: growth was sustained over the period despite one contraction. The moderation after 2022-23 suggests that the rebound effect had been exhausted and that growth reverted to a steadier single-digit to low double-digit pace.



5.2 Geographic concentration of SEZs

Table 4: Operational SEZs in the five leading states

State	Operational SEZs	Share of top five (%)	Rank
Tamil Nadu	51	27.6	1
Telangana	38	20.5	2
Maharashtra	38	20.5	2
Karnataka	34	18.4	4
Andhra Pradesh	24	13.0	5
Total (top five)	**185**	**100.0**	–

Source: State-wise SEZ counts as reported in the OJT report (Kawtikwar, 2026), Chapter 7; shares computed by the author. Telangana and Maharashtra are tied.

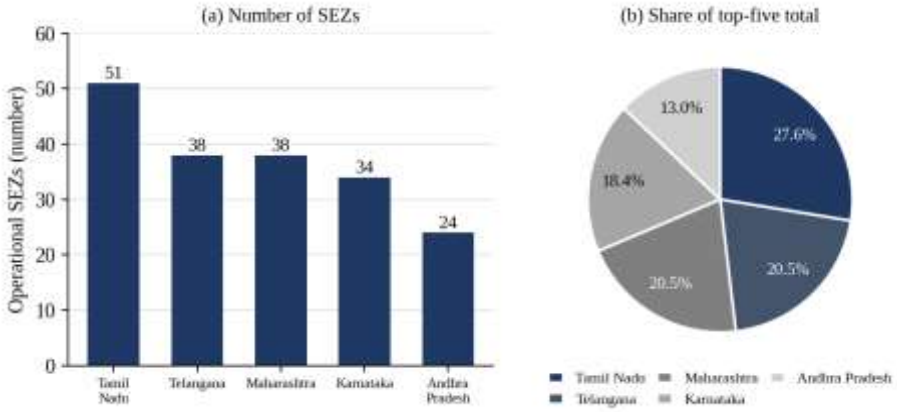


Figure 3: Operational SEZs in the five leading states: (a) number of SEZs; (b) share of the combined count

Source: Table 4; shares computed by the author.

Interpretation. The five states together host 185 operational SEZs, an average of 37 per state with a standard deviation of 8.67. Tamil Nadu leads with 51, which is 27.6 per cent of the group and more than twice the 24 recorded for Andhra Pradesh. Telangana and Maharashtra are tied at 38 each (20.5 per cent each), followed by Karnataka at 34 (18.4 per cent). The OJT report further states that more than 60 per cent of India's SEZs lie in the top five states and that SEZs influence over 25 per cent of the country's international trade. These two aggregate claims could not be traced to a cited source and are treated here as indicative only. On the evidence of the state counts, Hypothesis H2 is supported: SEZ capacity is clustered in a few states with established industrial and IT infrastructure, with southern states prominent.

5.3 The DTA procurement verification workflow

The training showed that DTA procurement at MOON SEZ operates as a sequential chain of eight steps, depicted in Figure 4. The first four steps are verification controls performed before portal entry; the last four record, evidence and track the transaction. Thus half of the workflow (4 of 8 steps) is devoted to checks performed before any data reach the Government's portal.

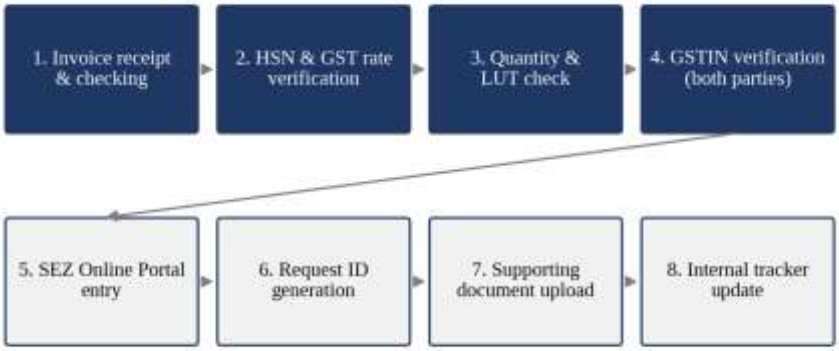


Figure 4: Sequential DTA procurement verification workflow

Source: Compiled from the OJT report (Kawtikwar, 2026), Section 6.2.

On the portal, the operator logs in with client-provided credentials and completes the DTA Procurement form with SEZ unit details, DTA unit details, the Bond/LUT declaration and the taxable value. Line items can be uploaded through a prescribed Excel template, which reduces manual entry. After the scanned invoice is attached, a print trail summarising the transaction is generated and checked before the request is confirmed. The system then issues a unique Request ID, which the internal tracker records together with invoice details, party names and GSTINs, taxable value, LUT number and validity, verification status and remarks.

Table 5 classifies the principal control points by the consequence of failure. The classification is qualitative and reflects the observations and statutory reasoning recorded in the OJT report; it does not rest on measured error rates, which were unavailable.

Table 5: Control points in the DTA procurement workflow

Control point	What is verified	Consequence	Reason
LUT validity	LUT number, validity window, correct citation on invoice	High	An expired LUT exposes the transaction to interest liability and possible withdrawal of the zero-rating facility under Rule 96A.
GSTIN verification	Valid registration of SEZ unit and DTA supplier	High	Foundational eligibility check; the zero-rated mechanism presumes registered parties.
HSN and GST rate	Code matches product; rate matches classification	Medium to high	A mismatch can surface at audit or portal scrutiny and stalls two linked checks at once.
Invoice, quantity and value	Number, date, quantity, unit and amount consistency	Medium	Errors cause rejection or delay but are generally correctable before submission.
Portal entry and upload	Field-level accuracy; document attached	Medium	Strict portal validation can block submission and requires resubmission.
Tracker update	Status, Request ID, date recorded	Lower	Retrospective control that supports audit-readiness rather than preventing error.

Source: Classification by the author based on the OJT report (Kawtikwar, 2026), Chapters 4, 6, 7, 8 and 10.



Interpretation. The pattern is consistent with Hypothesis H4. Missing or incorrect information results in rejection or delay at the portal, and an unresolved HSN ambiguity stalls both the classification and the GST-rate check that depends on it. Simple verification tasks are completed within a few days, while complex tasks such as incentive claims or compliance filings take longer. Because the consequences are unequal, a flat checklist allocates equal attention to unequal risks, which motivates the risk-weighted checklist proposed in Section 7.

5.4 Case transaction: cash-flow effect of zero-rated supply

One transaction handled during the training is analysed to quantify the financial effect of zero-rated treatment. The parties are anonymised as DTA Supplier A and SEZ Unit B. The goods were marble slabs classified under HSN 25151220, and the supply was made under a LUT valid from 1 April 2025 to 31 March 2026. Table 6 sets out the particulars and derived values.

Table 6: Particulars of the case transaction

Particular	Value	Basis
Goods supplied	Marble slabs	Reported
HSN code	25151220	Reported
Quantity	2,242 sq. ft.	Reported
Taxable value	Rs. 15,46,980	Reported
Implied rate per sq. ft.	Rs. 690.00	Computed
IGST rate	18%	Reported
IGST not paid (zero-rated)	Rs. 2,78,456.40	Reported; verified
Gross outlay had IGST been charged	Rs. 18,25,436.40	Computed
IGST as share of taxable value	18.00%	Computed
IGST as share of gross outlay	15.25%	Computed
Invoice date within LUT validity?	Yes (9 Sep 2025)	Computed

Source: Case transaction in the OJT report (Kawtikwar, 2026), Chapter 7; identities withheld; derived values computed by the author.

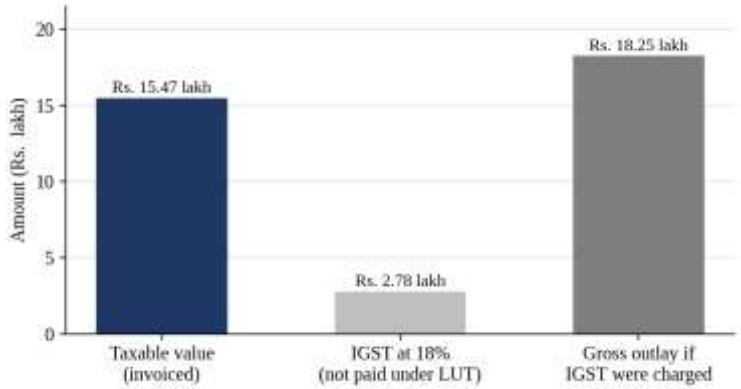


Figure 5: Composition of the case transaction (Rs. lakh)

Source: Table 6.

Interpretation. Eighteen per cent of the taxable value of Rs. 15,46,980 equals Rs. 2,78,456.40, which agrees with the IGST amount shown in the portal verification screen. Had the transaction been taxed as an ordinary domestic supply, SEZ Unit B would have had to fund a gross outlay of Rs. 18,25,436.40, of which 15.25 per cent would have been tax. The zero-rated treatment therefore removes an upfront financing requirement equal to 18 per cent of the invoice value, which confirms Hypothesis H3. The invoice date of 9 September 2025 falls 161 days into the 365-day LUT window, with 203 days remaining, so the validity check is satisfied.

© 2026 The Author(s). Published by IJCOPE Journal. Website: https://ijcope.org/



The value of this relief depends on how long the tax would otherwise be financed. The company's records do not state the SEZ unit's cost of funds, so Table 7 presents a hypothetical sensitivity analysis. The interest rates and holding periods are assumed parameters chosen for illustration only; they are not drawn from the OJT report, and carrying cost is computed as IGST × rate × days ÷ 365.

Table 7: Hypothetical carrying cost of IGST avoided (Rs.)

Assumed annual rate	30 days	60 days	90 days
8% p.a.	1,831	3,662	5,493
10% p.a.	2,289	4,577	6,866
12% p.a.	2,746	5,493	8,239

Source: Author's computation on the IGST of Rs. 2,78,456.40 in Table 6; rates and periods are illustrative assumptions.

Even under these assumptions the carrying cost on a single invoice is modest, ranging from Rs. 1,831 to Rs. 8,239. The larger financial significance lies in the contingent exposure: a transaction processed under an expired LUT places the unit at risk of interest and of losing the zero-rating facility itself, which is far greater than the financing saving.

5.5 Operational challenges observed

Five recurring challenges were recorded during the training. They are process-level rather than isolated incidents, and are summarised in Table 8.

Table 8: Challenges observed, causes, impact and responses

Challenge	Cause	Impact	Response
Invoice description versus HSN classification	Suppliers describe goods in commercial terms that do not map cleanly to the tariff schedule	Extra time; HSN and GST-rate checks stalled together	Cross-reference to classification guides; escalate to supplier or client when unclear
LUT validity tracking	Validity is date-bound and renewed annually; easy to overlook	Highest-consequence error if missed	Independent LUT check on every transaction
Portal data-entry precision	Strict, nationally uniform validation rules	Rework and resubmission	Field-by-field review; Excel bulk upload
Coordination with SEZ unit and DTA supplier	Third-party documentation outside the firm's control	Longer processing where clarification is needed	Specific, precise clarification requests
Keeping pace with regulatory change	SEZ, GST and Customs rules are in flux	Continuous need to update practice	Departmental updates; re-confirmation of rules per task

Source: OJT report (Kawtikwar, 2026), Chapter 8, condensed by the author.

Interpretation. Two of the five challenges, HSN mismatch and coordination, originate outside the firm in the quality of supplier documentation, so they can be mitigated but not eliminated. The remaining three can be reduced through internal design: a LUT register, structured data entry and a regulatory-update routine. This division informs the recommendations in Section 7.



5.6 Assessment of hypotheses

Table 9: Assessment of hypotheses

No.	Proposition	Evidence	Assessment
H1	Sustained SEZ export growth despite pandemic contraction	CAGR 12.74%; one fall of 4.66%	Supported (descriptive)
H2	Geographic concentration of SEZs	185 SEZs in five states; Tamil Nadu 27.6% of group	Supported (descriptive)
H3	Zero-rated supply removes upfront IGST outlay	Rs. 2,78,456.40 = 18% of Rs. 15,46,980	Supported (arithmetic)
H4	Early errors cascade; weight controls by risk	Workflow observation; Challenges 1 and 2	Consistent with observation; not statistically tested

Source: Author's assessment.

6. Findings, Discussion and Finance Insights

6.1 Principal findings

1. SEZ exports roughly doubled between 2019-20 and 2025-26 (+105.38 per cent; CAGR 12.74 per cent), with a single pandemic-year decline of 4.66 per cent and moderating growth after 2022-23.
2. Operational SEZs are concentrated in five states with 185 SEZs; Tamil Nadu alone accounts for 27.6 per cent of that group.
3. DTA procurement at MOON SEZ is a sequential eight-step control chain, half of which consists of verification before portal entry.
4. Controls differ in their consequence of failure: LUT validity and GSTIN verification carry the highest consequence, followed by HSN and GST-rate checks.
5. In the case transaction, zero-rated treatment avoided an upfront IGST outlay of Rs. 2,78,456.40, equal to 18 per cent of taxable value.
6. Digitisation of the portal has reduced but not removed manual error, and coordination with third parties remains a structural source of delay.

6.2 Discussion

The export and state data confirm the macroeconomic importance of SEZs that the literature emphasises. The process findings add a dimension that macro-level sources do not capture: the tax benefit that makes SEZ procurement attractive is not automatic but is earned transaction by transaction through documentation that must satisfy statutory conditions. Much of this burden is transferred to consultants, which raises the accuracy and turnaround expectations placed on firms such as MOON SEZ.

6.3 Finance-oriented insights

Working capital. Zero-rated supply converts an 18 per cent upfront tax outlay into a nil outlay at the time of purchase. For an SEZ unit that purchases regularly from the DTA, the cumulative effect on cash conversion is material, although its size depends on purchase volumes and on the unit's cost of funds, neither of which was available for analysis.

Contingent liability and risk. The financial risk is asymmetric. The saving on a single invoice is small relative to the exposure if the LUT has expired, namely interest liability and potential withdrawal of the zero-rating facility. This is a classic risk-weighting problem: controls should be ranked by expected loss, which combines the probability of failure with its consequence. A control with a low probability of failure but a severe consequence, such as LUT validity, deserves disproportionate attention.



Cost of control versus cost of error. Four of eight workflow steps are pre-submission checks. This front-loaded design is economically rational because the cost of correcting an error rises as the transaction moves downstream, from a field correction at entry to a rejected request or an audit query. A dedicated LUT register would lower the marginal cost of the most important check.

Business model and pricing power. The firm's service is largely procedural, which limits differentiation and pricing power, as the SWOT analysis notes. The migration towards ICEGATE and e-BLUT, and the SEZ 2.0 reform process, create an opportunity to move from manual verification towards workflow tools layered on government systems, and thereby to improve margins and turnaround time.

7. Conclusion and Recommendations

This study set out to understand how SEZ units procure goods from the DTA and how the compliance process protects the financial benefit of zero-rated supply. The evidence indicates that SEZ activity is large, growing and geographically concentrated, and that the benefit available to individual units depends on a disciplined, sequential verification chain. The most consequential control is LUT validity, followed by GSTIN verification and HSN and GST-rate accuracy. Compliance in this field is time-bound, because the regulatory framework is itself changing.

Five recommendations follow from the observations. Each is described by what should change, how, why, and with what expected outcome.

Table 10: Recommendations summary

Recommendation	How	Why	Expected outcome
1. Risk-weighted checklist	Sequence checks by consequence (LUT, GSTIN first); sign off before portal entry	Failures differ in consequence	Earlier detection of high-risk errors
2. LUT validity register	Central sheet of supplier, LUT number and expiry, with lookup formula	LUT checks are date-bound and high-stakes	Lower risk of expired-LUT processing
3. HSN and GST update briefings	Assign monitoring of notifications; hold short team briefings	Schedules and rules keep changing	Fewer classification errors
4. Real-time tracking dashboard	Shared workbook with status fields from invoice to Request ID	Tracker is retrospective; stalls are hard to see	Visible bottlenecks; stronger audit-readiness
5. Clarification templates	Standard format citing the invoice and field in question	Vague follow-ups need several cycles	Fewer clarification cycles

Source: OJT report (Kawtikwar, 2026), Chapter 11, condensed by the author.

8. Limitations and Scope for Future Research

8.1 Limitations

- **No primary survey data.** No client questionnaire responses were collected; hypotheses are assessed descriptively, not statistically.
- **Duration and scope.** The training lasted about nine weeks and covered goods procurement only; services, capital goods and zone-to-zone transfers fell outside the study.
- **Confidentiality and data availability.** Processing times, error rates and company financials could not be obtained, so the analysis is largely qualitative and relies on one anonymised case.
- **Single-firm basis and intern vantage point.** The findings reflect the verification and portal-entry stages at one firm and may not generalise to other operating models or to firms using the ICEGATE system.



- **Regulatory transition.** The workflow is a June–August 2026 snapshot and may change as SEZ 2.0 and portal migration are finalised.

8.2 Scope for future research

Future work could cover services procurement and zone-to-zone transfers, and compare SEZ Online Portal workflows with the ICEGATE-integrated system. Time-stamped tracker data could be used to estimate processing times and error rates, and a survey of SEZ clients could measure the perceived cost of compliance.

References

Aggarwal, A. (2007). *Impact of special economic zones on employment, poverty and human development* (Working Paper No. 194).

Aggarwal, A. (2010). *Economic impacts of SEZs: Theoretical approaches and analysis of newly notified SEZs in India*.

Aggarwal, A. (2019). SEZs and economic transformation: Towards a developmental approach. *Transnational Corporations Journal, 26*(2).

Alkon, M. (2018). Do special economic zones induce developmental spillovers? Evidence from India's states. *World Development, 107*, 396–409.

Central Goods and Services Tax Rules, 2017, Rule 96A (India).

Devi, R. S. (2018). Special economic zones in India: Growth of exports, investment and employment. *Indian Journal of Applied Research*, 48–50.

Dhingra, T., & Singh, T. (2009). Special economic zone: An Indian approach. *Foreign Trade Review, 43*(4), 52–72.

Integrated Goods and Services Tax Act, 2017, Section 16 (India).

Jenkins, R., Kennedy, L., Mukhopadhyay, P., & Pradhan, K. C. (2015). Special economic zones in India: Interrogating the nexus of land, development and urbanization. *Environment and Urbanization ASIA, 6*(1), 1–17.

Joshi, M. C., & Bhatia, R. (2016). A comparative study of special economic zones (SEZs) in India and China. *International Journal of Applied Business and Economic Research, 14*(7), 5047–5055.

Karmakar, S. (2025). Special economic zone (SEZ): Its role in economic development in India. *Interdisciplinary International Journal of Advances in Social Sciences, Arts and Humanities, 1*(2), 27–40.

Kawtikwar, R. S. (2026). *A study on procurement of goods by SEZ units from the Domestic Tariff Area (DTA)* [On-the-job training report]. School of Business, Indira University.

Palit, A. (2009). Growth of special economic zones (SEZs) in India: Issues and perspectives. *Journal of Infrastructure Development, 1*(2), 133–152.

Shah, D. K. (2009). Special economic zones in India: A review of investment, trade, employment generation and impact assessment. *Indian Journal of Agricultural Economics, 64*(3).

Special Economic Zones Act, 2005 (India).

Special Economic Zones Rules, 2006 (India).

Zeng, D. Z. (2015). *Global experiences with special economic zones*. World Bank.



Appendix A: Verification Checklist Used in the Observation

No.	Verification item	Workflow step
1	Invoice number, date, buyer and seller details, GSTIN/UIN	Invoice checking
2	Product description matches supply; quantity and specification	Invoice checking
3	Rate per unit, total quantity and billed amount cross-verified	Invoice checking
4	Tax treatment: IGST, CGST or SGST applied or exempted as per SEZ supply conditions	HSN and GST check
5	HSN code reflects product; GST rate matches classification	HSN and GST check
6	LUT or Bond number and validity period correctly stated and current	Quantity and LUT check
7	Bank details and authorised signature or stamp	Invoice checking
8	GSTIN of SEZ unit and DTA supplier valid	GSTIN verification
9	DTA Procurement form: SEZ unit, DTA unit, Bond/LUT, taxable value	Portal entry
10	Invoice line items entered or uploaded through Excel template	Portal entry
11	Scanned invoice attached with document type and reference number	Document upload
12	Print trail checked; Request ID generated and recorded in tracker	Request ID and tracker

Source: Compiled by the author from the OJT report (Kawtikwar, 2026), Chapters 6 and 7.

Appendix B: Data Source Map for Tables and Figures

Exhibit	Data used	Origin
Table 3; Figures 1–2	SEZ exports for seven years	Reported in OJT report; growth, CAGR and statistics computed
Table 4; Figure 3	Operational SEZs in five states	Reported in OJT report; shares computed
Figure 4; Table 5	Eight-step workflow; control points	Observation recorded in OJT report; classification by author
Table 6; Figure 5	Case transaction particulars	Reported in OJT report; ratios computed; identities withheld
Table 7	Carrying cost of IGST	Assumed parameters applied to reported IGST; illustrative only
Tables 1, 2, 8, 10	Industry, company, concepts, challenges, recommendations	Condensed from OJT report

Note: No questionnaire or survey was administered, so no questionnaire appendix is included.