Common Mistakes Observed in Form-F Applications for Setting up Units in SEZs

The following deficiencies are frequently observed during scrutiny of Form-F applications and often result in avoidable delays in processing and consideration by the Approval Committee.

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1. Proposed Activity Not Clearly Defined

Applicants often provide broad or generic descriptions such as:

Trading Activity

Engineering Products

IT Services

Manufacturing Activity

Instead, applicants should provide precise details of the proposed activity.

✔ Manufacture of Precision Machined Components for Automotive Industry

✔ Trading of Electronic Components

✔ Software Development Services for Financial Sector

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2. Incorrect or Missing ITC(HS) Codes / Service Classification

Common deficiencies include:

- ITC(HS) Codes not mentioned.
- Incorrect ITC(HS) classification.
- Product description not matching ITC(HS) Code.
- Service activities not properly described.

Applicants should verify the applicable ITC(HS) classification before submission.

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3. Production Capacity Not Mentioned

Applicants frequently mention products but do not indicate:

- Annual production capacity.

- Unit of measurement.
- Capacity-wise breakup of products.

Production capacity should be specified separately for each product proposed to be manufactured.

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4. Export Projections Not Supported

Common issues include:

- Export turnover figures provided without any basis.
- No explanation of target markets.
- No indication of likely customers.
- No supporting market assessment.

Applicants should explain the assumptions underlying export projections.

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5. Destination Countries/Export Markets Not Indicated

Applicants frequently fail to mention:

- Proposed export destinations.
- Major overseas markets.
- Geographic regions proposed to be served.

This information assists the Approval Committee in assessing the viability of export projections.

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6. Project Report Not Comprehensive

A significant number of applications are delayed due to inadequate Project Reports.

Common deficiencies include:

- Generic project reports.
- No manufacturing/service process details.
- No feasibility analysis.
- No basis for projected exports.
- No profitability analysis.
- No details regarding means of finance.

7. Foreign Exchange Projections Incomplete

Applicants frequently:

- Mention exports but not foreign exchange outgo.
- Omit royalty payments.
- Omit technical collaboration fees.
- Leave several columns blank in the Foreign Exchange Outgo Statement.

All foreign exchange earnings and outgo should be properly reflected.

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8. Means of Finance Not Properly Explained

Common deficiencies include:

- Sources of funds not identified.
- No documentary evidence.
- Project cost exceeding available resources.
- Inconsistency between Project Report and Form-F.

Applicants should clearly indicate promoter contribution, equity, internal accruals, bank finance and other funding sources.

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9. Fund Flow Statement Incomplete

Applicants frequently:

- Do not explain how fixed assets will be financed.
- Do not explain working capital arrangements.
- Do not provide documentary evidence for funding sources.
- Leave prescribed formats incomplete.

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10. Capital Goods List Not Submitted or Incomplete

Common deficiencies include:

- Machinery list not enclosed.
- Cost breakup not provided.
- Imported and indigenous machinery not separately identified.
- Machinery not commensurate with proposed activity.

Applicants should submit separate lists of imported and indigenous capital goods with detailed cost breakup.

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11. Manufacturing Process Flow Chart Not Submitted

Frequently observed issues:

- Process flow chart not enclosed.
- Manufacturing stages not explained.
- Raw materials not linked to finished products.
- HS Codes not reflected in the flow chart.

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12. Raw Material Requirements Not Properly Indicated

Applicants often fail to provide:

- Details of major raw materials.
- Cost estimates.
- Imported versus indigenous procurement.
- Consumption norms.

Raw material requirements should correspond with the manufacturing process and production capacity.

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13. Shareholding Pattern Not Updated

Common deficiencies include:

- Outdated shareholding details.
- Foreign shareholding not disclosed.
- Shareholding pattern inconsistent with MCA records.
- Supporting documents not enclosed.

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14. Board Resolution/Authorization Not Submitted

For companies, applicants should submit a Board Resolution authorizing:

- Submission of Form-F.
- Setting up of SEZ Unit.

- Authorized signatory.

This is one of the most common documentation deficiencies.

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15. Director/Partner Details Incomplete

Frequently observed deficiencies:

- Incomplete bio-data.
- No professional background.
- Missing PAN details.
- Missing residential address proof.
- Missing Income Tax Returns.

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16. Financial Documents Not Submitted

Applicants often fail to submit:

- Audited Balance Sheets.
- Income Tax Returns.
- Computation sheets.
- Net worth supporting documents.

This delays assessment of financial capability.

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17. Registered Office/Head Office Address Proof Deficient

Common issues include:

- Lease deed not enclosed.
- Address mismatch across documents.
- Incomplete address proof.

Applicants should ensure consistency across all records.

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18. Provisional Space Offer Not Submitted (Private SEZ Units)

Where the proposed unit is to be established in a Private SEZ, applicants should submit:

- Provisional Offer of Space from the Developer.

Common deficiencies include:

- Offer letter not enclosed.
- Area mismatch between Form-F and Developer's offer.
- Inadequate space for proposed activity.

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19. Environmental Compliance Declaration Not Submitted

Applicants frequently omit:

- Environmental undertaking.
- Pollution control details.
- Waste disposal arrangements.

Where applicable, environmental implications should be adequately disclosed.

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20. Online Form-F and Physical Documents Do Not Match

One of the most common reasons for issuance of deficiency letters is inconsistency between:

- Online Form-F.
- Signed physical application.
- Project Report.
- Financial Statements.
- Supporting Annexures.

All information should be reconciled before submission.

Top 15 Deficiencies Resulting in Delay

1. Proposed activity not clearly defined.
2. Incorrect or missing ITC(HS) Codes.
3. Production capacity not specified.
4. Destination countries not mentioned.
5. Export projections not supported.

6. Incomplete Project Report.
7. Foreign exchange outgo statement not properly filled.
8. Means of finance not substantiated.
9. Fund Flow Statement incomplete.
10. Capital goods list not submitted.
11. Manufacturing process flow chart missing.
12. Shareholding details incomplete.
13. Board Resolution/Authorization not enclosed.
14. Provisional space offer not submitted (for Private SEZ Units).
15. Delay in responding to deficiency letters issued by the Office of Development Commissioner.

Quick Self-Check Before Submission

Before submitting Form-F, verify that:

✓ All pages are signed.

✓ ITC(HS) Codes are correctly mentioned.

✓ Production capacities are specified.

✓ Export destinations are identified.

✓ Project Report is comprehensive.

✓ Foreign exchange projections are complete.

✓ Fund Flow Statement is fully supported.

✓ Capital goods and raw material lists are enclosed.

✓ Shareholding details are updated.

✓ Board Resolution/Authorization is attached.

✓ Space offer letter is enclosed (for Private SEZ Units).

✓ Information is consistent across Form-F, Project Report and supporting documents.

A complete and accurate application significantly reduces processing time and facilitates expeditious consideration by the Unit Approval Committee.

Applicants often provide five-year export figures but do not explain how those numbers were arrived at. A simple note requiring applicants to indicate proposed

export destinations, expected customers, market study, existing orders, or marketing tie-ups can substantially reduce clarification letters.