

Is an EOU or SEZ Supplier Always a Manufacturer?

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Updated 12 Oct 2026 5 min read

An Export Oriented Unit (EOU) is a manufacturer or service provider by definition, because India's trade policy says trading units are not covered. An SEZ unit can be a trading or warehousing unit, so SEZ status says less. Neither status proves quality or capacity.

Key takeaways

- EOUs import inputs duty free and must use them for export production, so they cannot be trading shop fronts.
- An EOU must be a positive net foreign exchange earner over five-year blocks. A new unit has not been tested yet.
- SEZ rules allow approved trading and warehousing units, so ask what the Letter of Approval names.
- Confirm status with the approval letter, the GST record for that address and a video walk-through.
- Not being an EOU is no mark against a supplier. Most good Indian exporters are not EOUs.

An Export Oriented Unit (EOU) is a manufacturer or service provider by definition, because India's trade policy says trading units aren't covered by the scheme. An SEZ unit isn't automatically a manufacturer, since special economic zones can also host trading and service units, so the status tells you less there. Neither status says anything about quality or capacity.



So if your supplier writes "we are a 100% EOU" in its signature, that's actually one of the more useful lines you'll get from an Indian supplier. It's rare to see it explained for buyers, so this post does that. The caveat - I'm reading the trade policy and the SEZ rules as published, and checking a specific unit's status is a job for the supplier's paperwork plus your broker or agent.

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- 01** **EOUs undertake to export their entire production (apart from permitted domestic sales), and "Trading units are not covered".** (*Foreign Trade Policy 2023, chapter 6, para 6.00(a) · Verified, read 13 Oct 2026*)
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02 An EOU must be a positive net foreign exchange earner, measured cumulatively in five-year blocks, so a unit younger than five years hasn't faced its first test yet. *(Same chapter · Verified rule, reading Indicative)*

03 An EOU's duty-free imports carry an actual user condition and must be used for export production, under customs control. *(Same chapter)*

What we don't know yet

- A public, searchable list of EOUs a foreign buyer can use to confirm a unit's status. We didn't find one, so ask for the unit's approval letter.

1. What An EOU Actually Is

A 100% EOU is an Indian factory that has signed up to a special regime. It imports its inputs and machinery without paying customs duty, and in return it promises to export what it makes. The duty-free goods come "with actual user condition" and "shall be utilized for export production" ([Foreign Trade Policy 2023, chapter 6](#)). Customs keeps an eye on the unit because of that promise.

The line that matters to you is short. The scheme is for units that export their production of goods and services, and "Trading units are not covered" (same chapter). So an EOU can't legally be a shop front buying from others and reselling.



That's why I call it one of the few Indian "we make it" signals with a rule behind it. Most other records, like a GST tick box, are the supplier's own word.

2. The Promise Has Teeth, Slowly

An EOU has to earn more foreign exchange than it spends, measured cumulatively in blocks of five years, backed by a legal undertaking and penalties (same chapter). Domestic sales are allowed only within limits and with the duty benefits paid back. There's also a floor on investment in plant and machinery, with exemptions for some sectors such as handicrafts and agriculture.

What does that mean for you? A long-standing EOU has passed its net-foreign-exchange test more than once, which says it really exports. A brand-new one hasn't been tested yet. Neither tells you how good its stitching is.

3. SEZ Units Are A Different Animal

A special economic zone is treated as outside India's customs territory. Units inside pay full customs duty on anything they sell into India, need positive net foreign exchange over five years, and their export cargo isn't routinely examined by customs (SEZ India FAQ, sezindia.gov.in, read 23 Sep 2026).

The difference from an EOU is the trading point. SEZ rules have allowed approved trading units in zones since 2006 (Department of Commerce SEZ instructions, sezindia.gov.in), and the current SEZ Rules, 2006 still list trading or warehousing as an activity a unit's Letter of Approval can specify, under rule 19(2) (consolidated rules on nsez.gov.in, read 13 Oct 2026). They sit alongside service units, so "we're in an SEZ" doesn't on its own mean "we make it". Ask what the unit is approved for. Its approval letter from the zone's Development Commissioner names the activity.

You'll also spot SEZ status on the GST record. The GST user manual shows "SEZ Unit" as a taxpayer type and shows SEZ approval validity on the public search.

	100% EOU	SEZ unit
Trading units allowed	No	Yes, if approved
Net foreign exchange	Positive over five-year blocks	Positive over five years
Sales into India	Within limits, duty benefits paid back	Full customs duty
Customs position	Under customs control inside India	Treated as outside India's customs territory
Where to confirm	Letter of Permission	Letter of Approval from the Development Commissioner

4. What The Status Doesn't Prove

Here's the honest list –

- **Quality.** Customs watches duty, not seams.
- **Capacity.** Nothing in the scheme measures output per month or lead time.
- **That every step happens in the unit.** Job work is normal in India. Ask which steps, if any, leave the premises.
- **Ethics.** Labour conditions need a social audit, not a customs status.

I'd also add a fairness note. A supplier that isn't an EOU isn't second rate. Most Indian exporters aren't EOUs and never will be, including many excellent makers. EOU status is a bonus signal when it's there, not a test you fail without it.

5. How To Confirm It

Ask the supplier for three things –

1. The EOU or SEZ approval letter (Letter of Permission or Letter of Approval), with the unit address and the approved items.
2. The GST number for that address, so you can see the record yourself. Our [guide to reading an Indian GST number](#) walks through it.
3. A video walk-through of the unit named on the letter.

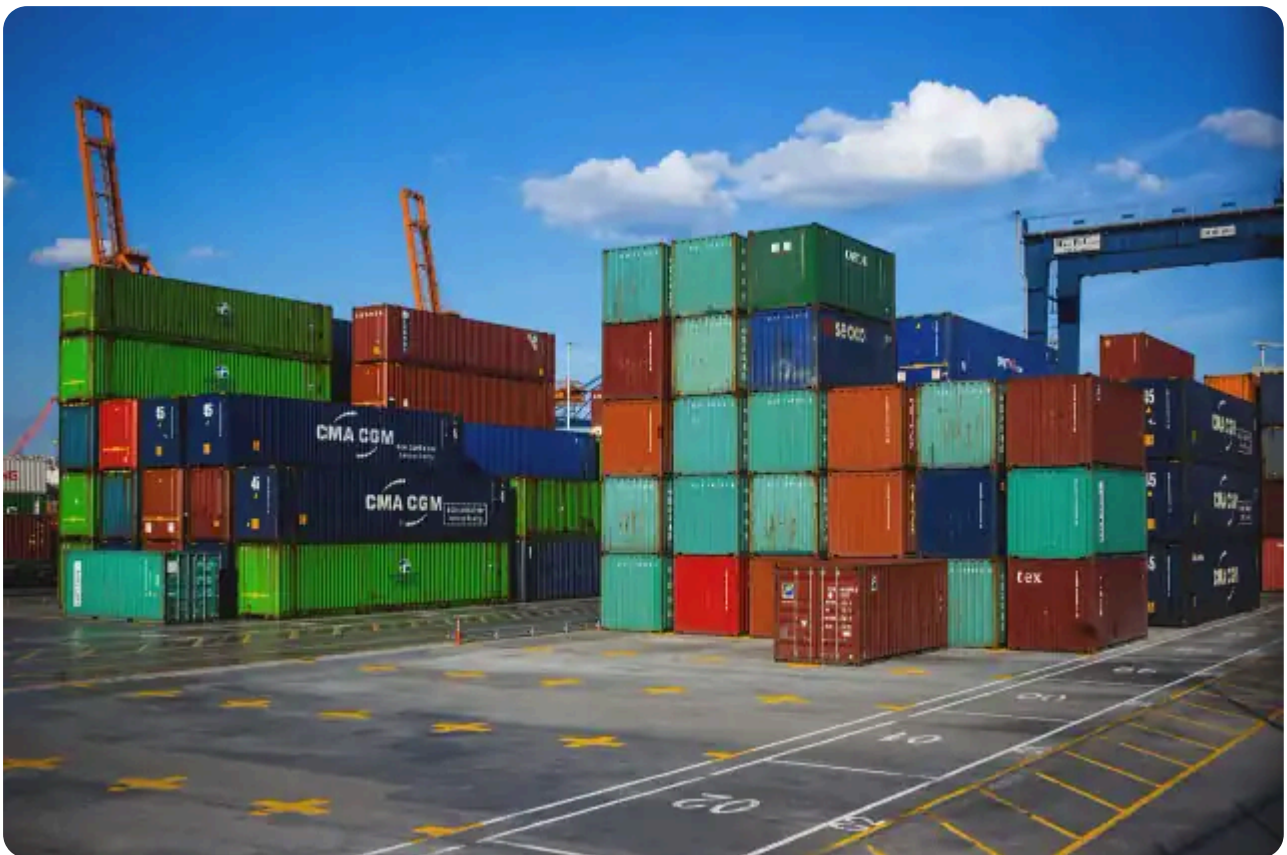
Then match the names and addresses across all three. If the approved items don't include your product, ask why. It may be a newer line awaiting approval, or it may be made elsewhere.

For the bigger checklist, see [how to check a supplier yourself](#). If you want someone to visit the unit and read the paperwork in person, [SourcingSync](#)

does that.

6. Does It Change My Paperwork As A Buyer?

Generally the export documents look like any other Indian export. Origin rules for your free trade agreement are a separate question, because a unit using imported duty-free inputs still has to meet the origin rule for your product. Check that with your customs broker before you claim a preferential rate. Our [rules of origin guide](#) explains the basics.



So, is an EOU always a manufacturer? By the rules, yes. Is it always a good one? That part is still up to you.

Related reading: [Job work and subcontracting in India](#) · [Is a city address a trader sign?](#) · [Made in India with Chinese inputs](#)

Questions Buyers Ask

Can an EOU sell in India as well? ^

Within limits, after meeting its net foreign exchange obligation and paying back the duty benefits on those sales.

Is a SEZ supplier safer than a normal one? v

Is there an official list of EOUs I can search? v

Does an EOU have to be big? v