

Why Does My Indian Supplier Want 100% Advance?

Yash Khatri

Founder, SourcingFrom

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Indian suppliers often ask for 100% advance on a first order because small makers lack working capital and your money pays for the materials. It is not a red flag on its own, and it is negotiable. A letter of credit, documents against payment or a deposit tied to inspection can replace much of the advance.

Key takeaways

- A full advance usually reflects the supplier's working capital, not a scam.
- An LC lets an Indian exporter take packing credit from its bank, so it can replace your advance.
- A supplier offering D/P is confident enough to ship before your money moves.
- Reported deposits run from 10 to 50%. Size yours to the materials and tie the balance to an event.
- Pay only a corporate account in the exporter's registered name, matched to its GST record.

A full advance is common from Indian suppliers on a first order, and it's usually about money, not trust. Many small manufacturers don't have easy access to working capital, so your advance is what pays for the yarn, the leather or the metal. It's not a red flag on its own, but it is negotiable, and the terms a supplier will accept tell you a lot about what kind of business it is.



An Indian manufacturer with eight years on IndiaMART summed up the domestic habit in 2025: "Almost all first time deals are 100% cash upfront" ([r/IndiaBusiness, 2025](#)). He was describing Indian buyers, not foreign ones, but that's the starting point your supplier brings to your first email. This post explains why, what changes the answer, and how to read a supplier's stance. The caveat - nobody publishes what terms Indian exporters actually accept from first-time foreign buyers, so the ranges below are what trade voices report, not a norm.

SourcingFrom Intelligence

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- 01 **A letter of credit lets an Indian exporter borrow against your order.** Banks give pre-shipment ("packing") credit to finance buying, making and packing export goods, typically against the buyer's LC or a confirmed export order. (*[RBI Master Circular on rupee and foreign currency export credit, 2015](#), now folded into Chapter*

XV of the RBI Credit Facilities Directions for commercial banks, 2025, updated 1 October 2026, checked 13 October 2026 · Verified as policy, check current terms with your bank)

02 **Merchant exporters often can't offer credit because their own suppliers want cash.** *(Indian agri exporter, forum, 2025)*

03 **Trade-finance voices put typical export advances at 10 to 30%, and a first-time maker shipped on payment against delivery because "no one was ready to pay advance".** *(Forum signals, 2025 to 2026)*

What we don't know yet

- ☐ Terms Indian suppliers accept from first-time Australian, New Zealand and US SMEs, by supplier type. We plan to measure it.

1. Why Do Indian Suppliers Ask for Full Payment Up Front?

Because someone has to pay for the materials before your goods exist, and for many small Indian makers it can't easily be them. Bank credit for small units is harder to get than most foreign buyers assume, so the cash cycle runs on customer money. A merchant exporter is in the same position one step removed: "I also have to pay farmers or manufacturers in advance, because they don't work on credit" ([r/exportersindia, 2025](#)).

There's a second reason, and it's fair to hear it. Indian exporters get burned too. One posted in 2026 that a US buyer of three years was refusing to pay most of an invoice. The replies said "never export without payment" (the full story is on [paying an overseas supplier safely](#)). Your supplier has read threads like that. So have you.

2. Why Does a Letter of Credit Change the Answer?

This is the part most guides skip. An Indian exporter holding your letter of credit can usually go to its bank and borrow against it before shipping. That loan is pre-shipment or packing credit, and RBI rules describe it as finance for "the purchase, processing, manufacturing or packing of goods prior to shipment", backed by the overseas buyer's LC or a confirmed order ([RBI Master Circular on export credit, 2015](#)). Since November 2025 those rules sit in the export credit chapter of the RBI's [Credit Facilities Directions](#), so your supplier's bank applies the current version. In plain words, your LC can replace your advance as the maker's working capital.

That's why many established makers are happy to work against an LC, and why a full advance request can sometimes melt into "LC at sight" once you offer one. The LC costs you bank fees and paperwork, so it earns its keep on a first large order or anything made to your design. Ask your own bank what it charges before you offer it.

3. What Does a Supplier's Stance on Terms Tell You?

Quite a lot. Read it as information, not as an insult.

"100% advance, no exceptions." Often a small maker without bank lines, or a trader that buys stock only after your money lands. One Mumbai spice start-up said in 2026 it would "only procure bulk inventory after securing a 30% to 50% advance from the buyer" ([r/exportersindia, 2026](#)). That's a normal model. Just know you're funding it.

"Advance, or an LC." Usually an exporter with a bank relationship and export experience. That's a good sign.

"We'll take documents against payment." Indian exporters rank their preferences as advance, then LC, then D/P. One told his peers to "Push for

Advance and settle not below DC (DP)" ([r/exportersindia, 2026](#)). A supplier offering D/P is confident enough in its goods to ship before your money moves.

One more note. From 1 October 2026, an Indian exporter with long-overdue export proceeds can be restricted to exporting only against full advance or an irrevocable LC ([RBI FEMA 23\(R\)/2026–RB](#), as read on our payment methods guide). So a strict "advance or LC only" can occasionally be a legal restriction rather than a choice. It's fair to ask.

4. What Can a First-Time Buyer Realistically Offer?

Offer something in exchange for a smaller advance. A deposit sized to materials, with the balance against a passed inspection and the bill of lading copy. Or D/P. Or an LC that names your inspection certificate as a required document. All three give the maker certainty and give you an event to pay against.

Offer	What the maker gets	What you pay against
Deposit sized to materials	Cash for the materials	Balance on a passed inspection and the bill of lading copy
Documents against payment (D/P)	Payment before you get the documents	The shipping documents
LC naming your inspection certificate	Something its bank can lend against	A passed inspection, presented as an LC document

And if you do pay a big advance, make it safer. Pay a corporate account in the exporter's registered legal name, matched to its GST record and invoice. Start with a small first order. The checks are on [how to verify Indian suppliers](#).

Related reading: [why FOB India quotes and invoices differ](#), [is there trade assurance for India](#) and [settling a payment dispute with a supplier](#).



If you'd rather someone else held the milestones and released money only when they're met, [SourcingSync](#) runs staged payments against inspection for buyers in India.

Questions Buyers Ask

Is 100% advance a scam sign? ^

Not on its own. Combined with no verifiable company, a personal bank account or pressure to pay fast, it is.

What's a normal deposit? v

Will a supplier really accept an LC instead?



Back to "100% Cash Upfront"

That IndiaMART maker was describing a cash economy, not a scam. Offer him something his bank can lend against, or an event he can trust, and the 100% usually starts to move. If it never moves at all, you've learned what kind of business you're dealing with, and that's worth knowing too.