DPIIT RELAXES FDI NORMS FOR EXPORT-ORIENTED INVENTORY-BASED E-COMMERCE

The Department of Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India has issued Press Note No. 3 of 2026 dated 23 July 2026 ("**Press Note No. 3**"), introducing a targeted relaxation to India's foreign direct investment ("**FDI**") policy governing e-commerce activities.

Background

India's FDI policy on e-commerce activities has evolved progressively over the last two decades. Press Note No. 2 of 2000 first permitted FDI up to 100% in e-commerce activities. However, such permission was subject to certain conditions and did not extend to retail trading. Accordingly, the permission was limited to companies engaged in business-to-business e-commerce.

Recognising the rapid growth of digital commerce, Press Note No. 3 of 2016 introduced a distinction between the marketplace model and the inventory-based model of e-commerce. While FDI continued to remain impermissible in the inventory-based model of e-commerce, up to 100% FDI under the automatic route was permitted in the marketplace model. An inventory-based model of e-commerce refers to an e-commerce activity where the inventory of goods or services is owned by the e-commerce entity and sold directly to consumers. In contrast, the marketplace model refers to the provision of an information technology platform by an e-commerce entity on a digital and electronic network to facilitate transactions between buyers and sellers.

Press Note No. 2 of 2018 clarified what constitutes ownership or control over inventory. Inventory of a vendor would be deemed to be controlled by an e-commerce marketplace entity when more than 25% of the vendor's purchases are from the marketplace entity or its group companies. Accordingly, ownership or control over inventory would render the business an inventory-based model, thereby attracting the relevant provisions of the FDI policy.

What has changed?

Press Note No. 3 inserts a new paragraph 5.2.15.2.5 in the FDI policy permitting an e-commerce entity to engage in an inventory-based model solely for the export of goods/products manufactured and/or produced in India. The amendment further clarifies that the existing restrictions applicable to business-to-consumer and inventory-based e-commerce shall not apply to these export transactions. Accordingly, e-commerce entities with FDI may now procure, own, warehouse and export goods manufactured and/or produced in India directly to overseas customers. However, the relaxation is confined to export-oriented operations and does not extend to domestic retail sales. These exports must comply with the Foreign Trade Policy, 2023, the Handbook of Procedures issued thereunder, and the extant foreign exchange laws governing exports.

Conclusion

Press Note No. 3 of 2026 introduces a limited but significant relaxation to India's FDI regime for e-commerce by permitting inventory-based operations exclusively for exports. While facilitating greater market access for Indian manufacturers, the amendment preserves the existing restrictions on inventory-based business-to-consumer e-commerce within India. Businesses intending to avail themselves of this relaxation should ensure that their operations are structured in compliance with the applicable FDI, foreign trade and exchange control framework.