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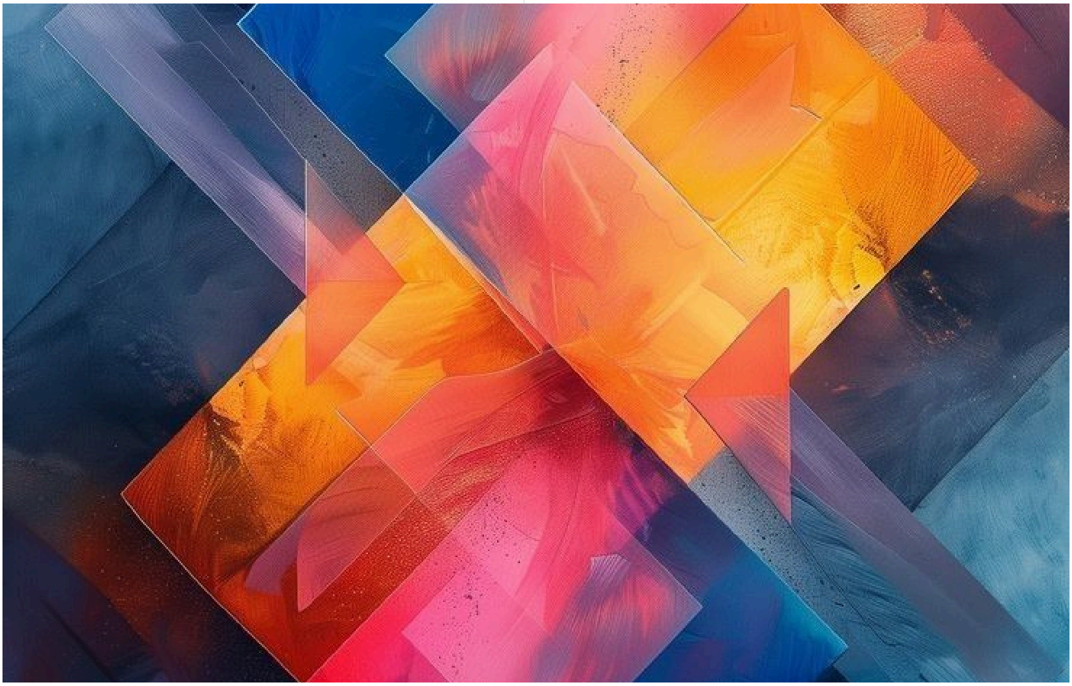
INDIA EASES FDI NORMS FOR INVENTORY-BASED E-COMMERCE EXPORTS

India Eases FDI Norms for Inventory-Based E-Commerce Exports

India's e-commerce market has been one of the fastest-growing segments in the economy, expanding from nearly USD 14 billion in 2014 to nearly USD 140 billion in 2025, with projections to cross USD 300 billion by 2030. This sustained double-digit compound growth has consistently attracted significant foreign direct investment ("FDI") over the past decade.

Under the extant FDI Policy, 100% foreign investment is permitted under the automatic route only for (i) business-to-business (B2B) e-commerce, and (ii) the marketplace model of e-commerce, i.e., where the entity receiving foreign investment operates an information technology platform on a digital and electronic network to facilitate transactions between buyers and sellers. FDI has not been permitted in the inventory-based e-commerce model, i.e., where the e-commerce entity owns the inventory of goods and services and sells directly to consumers.

On July 23, 2026, the Department for Promotion of Industry and Internal Trade, Government of India, issued Press Note 3 of 2026, providing that the restriction on the inventory-based e-commerce model will no longer apply to exports of goods manufactured or produced in India. Accordingly, e-commerce entities with foreign investment, such as Amazon India and Flipkart, may now procure domestically manufactured or produced goods and sell them directly to overseas consumers, subject to compliance with the Foreign Trade Policy 2023 and the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015. The relaxation will take effect once corresponding changes are notified under the foreign investment rules.



Procedural Guidelines for Procurement and Exports

Pursuant to the press note, the Directorate General of Foreign Trade, Ministry of Commerce & Industry (the "Directorate"), issued Notification No. 27/2026-27 on August 5, 2026, laying down procedural guidelines under the Foreign Trade Policy 2023 to give effect to the above relaxation under the FDI Policy.

For the purpose of inventory-based cross-border e-commerce ("Cross Border Exports"), an e-commerce entity may carry out such business on the following terms:

1. **Structure**. The e-commerce entity may undertake Cross Border Exports through a separate entity, which must hold a valid import-export code and Goods and Services Tax Identification Number ("GSTIN"), and must register with the Directorate under the Inventory-based Cross Border E-Commerce Facilitation Framework (the "Framework") as an "Exporter-on-Record" ("EOR", and such entity, the "EOR Entity").

At the time of EOR registration or any amendment thereto, the entity must disclose its shareholding pattern and the nature of its ownership or control relationship with the e-commerce entity. The EOR Entity may procure goods only from one or more Sellers-on-Record. A "Seller-on-Record" ("SOR") is an entity registered in India, holding a GSTIN, that supplies goods produced in India to an EOR Entity against confirmed export orders.

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2. **Export inventory**. The EOR Entity may hold Export Inventory, being goods procured from SOR entities against confirmed export orders that are designated, recorded, and traceable.

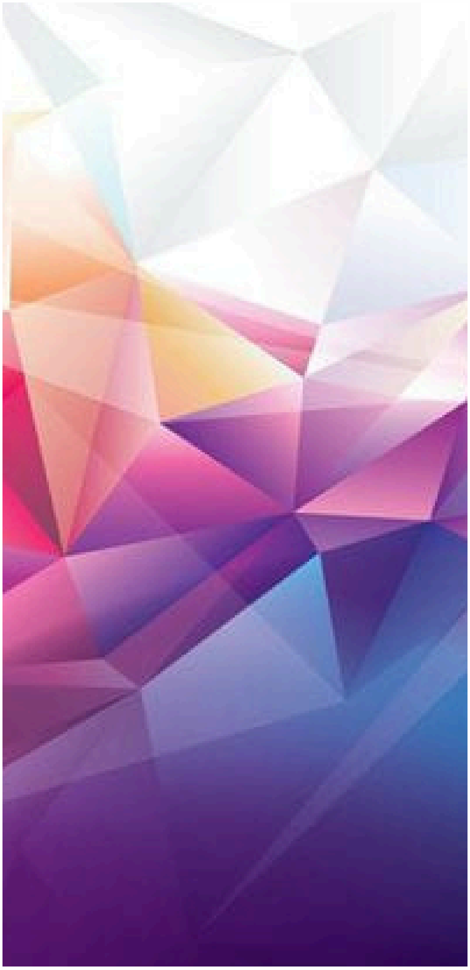
3. **Traceability**. The EOR Entity is responsible for distinctly identifying and segregating Export Inventory, and for maintaining a digital repository that enables identification, tracking, and traceability of all Export Inventory, including records of procurement from SOR entities, inventory status, and linkage to export documentation.

4. **Origin**. Only goods of Indian origin are eligible under the Framework, and the SOR entity is liable to declare the origin of such goods.

5. **Title**. Title to goods passes from the SOR entity to the EOR Entity only against a confirmed export order received by the EOR Entity from a buyer outside India. Speculative transfer of title is prohibited.

6. **Payment terms**. EOR entities must pay SOR entities within seven days of acceptance or deemed acceptance of goods. Payment to SOR entities cannot be delayed or made contingent on the EOR entity's receipt of export proceeds.

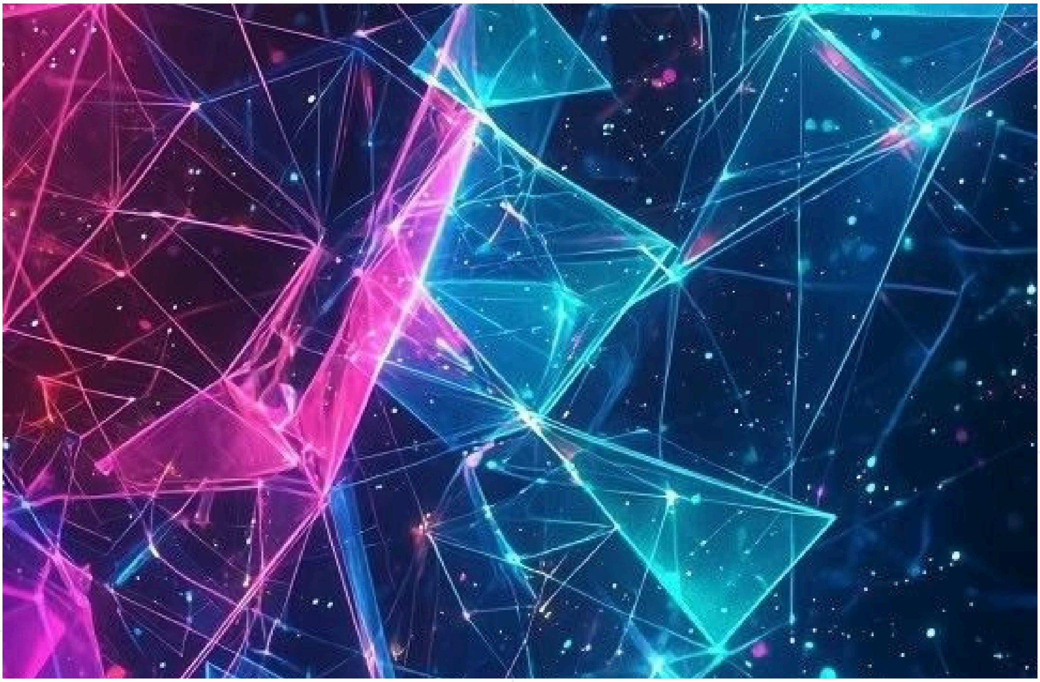
7. **Export rebates and refunds.** EOR entities are entitled to claim Export Rebates and Refunds, meaning any cash or cash-equivalent export incentives, refunds, remissions, duty drawbacks, or similar benefits received by the EOR entity, excluding non-transferable duty remissions.



8. **Pass-through.** EOR entities must apportion and disburse Export Rebates and Refunds to the respective SOR entities based on free-on-board value, subject to any administrative charge levied by the EOR entity.

9. **Scope of disbursement.** An EOR entity is liable to disburse Export Rebates and Refunds to SOR entities only in respect of exports for which the EOR entity has actually claimed such rebates or refunds.

10. **Returns.** Any returned or rejected exported goods, and the costs associated therewith, must be managed by the EOR entity; such goods cannot be sold, directly or indirectly, in the domestic market by the EOR entity.



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The Framework is expected to enable greater participation by Indian manufacturers, traders, and small enterprises in global e-commerce supply chains, giving them access to organised fulfilment networks while ensuring transparency, timely payments, effective pass-through of export benefits, and robust regulatory oversight.

While the policy framework under the FDI Policy and the Foreign Trade Policy is now in place, the corresponding amendments to the foreign investment rules that would formally give effect to the inventory-based e-commerce relaxation are still awaited.

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