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Press Note 3 (2026 Series): The Regulatory Shift Enabling FDI-Backed Export E-commerce in India

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The Department for Promotion of Industry and Internal Trade has issued Press Note No. 3 of the 2026 Series on 23 July 2026, marking a significant calibrated liberalisation in the foreign direct investment framework governing India's e-commerce sector. This regulatory update merits close attention from investors, e-commerce platforms, export-oriented manufacturers, and trade compliance professionals alike, as it introduces a carefully carved-out exception to the long-standing prohibition on inventory-based e-commerce models involving foreign capital.

Under the extant Consolidated FDI Policy Circular of 2020, which continues to serve as the foundational document for foreign investment in the digital commerce space, the policy architecture has maintained a clear distinction between permissible and prohibited models. Foreign direct investment has hitherto been permitted in business-to-business e-commerce and in the marketplace model of e-commerce, where the platform entity merely facilitates transactions between buyers and sellers without itself owning the inventory of goods or services. Conversely, the policy has consistently barred foreign investment in business-to-consumer e-commerce and in the inventory-based model, the latter being characterised by the e-commerce entity owning the stock of goods and selling them directly to end consumers. This structural prohibition has been a defining feature of India's e-commerce FDI regime, reflecting policy concerns around predatory pricing, unfair competition with domestic brick-and-mortar retailers, and the preservation of a level playing field for small traders.

The present review, however, introduces a strategically important exception to this prohibition, driven by the overarching objective of facilitating greater exports from India and enabling domestic sellers to access global markets with enhanced ease and scale. Recognising that the inventory-based model can offer significant logistical and operational advantages in the export value chain, the government has determined that the existing restrictions on inventory-based e-commerce shall not apply when the model is deployed exclusively for the export of goods and products that are manufactured or produced within India. This represents a nuanced policy shift that retains the domestic protective framework while creating a dedicated channel for outbound trade through foreign-invested e-commerce platforms.

To give statutory effect to this policy intent, a new provision is proposed to be inserted under the FDI Policy as Paragraph 5.2.15.2.5, titled Inventory-Based Model of E-commerce Exclusively for Exports. The first operative clause of this new paragraph permits an e-commerce entity to engage in the inventory-based model of e-commerce, but strictly confines this permission to the export of goods and products that have been manufactured or produced in India. This permission is not unconditional; it is expressly made subject to compliance with the applicable provisions of the Foreign Trade Policy of 2023, read with the Handbook of Procedures, as well as the Foreign Exchange Management Export of Goods and Services Regulations of 2015, including all amendments made thereto from time to time. This layered compliance requirement ensures that the export-oriented inventory model operates within the established regulatory architecture governing India's foreign trade and foreign exchange controls.

The second operative clause of the new paragraph clarifies the interplay between this exception and the existing restrictive provisions. It states in explicit terms that the restrictions on business-to-consumer e-commerce and the inventory-based model, as stipulated under Paragraphs 5.2.15.2.1 through 5.2.15.2.4 of the FDI Policy, shall not apply to the export of goods and products through e-commerce as permitted under this newly inserted provision. This non-obstante clause is critical for legal certainty, as it overrides the general prohibition in the specific context of export-oriented inventory-based e-commerce, thereby eliminating any ambiguity regarding the permissibility of such structures under the foreign investment framework.

It is essential to appreciate the limited scope of this liberalisation. The relaxation does not extend to domestic business-to-consumer transactions. The prohibition on foreign direct investment in inventory-based e-commerce directed at the Indian consumer market remains firmly in place. Similarly, the marketplace model restrictions and the broader B2C prohibitions continue to apply within the domestic context without alteration. The exception is tightly circumscribed to export transactions, reinforcing the government's intent to use this regulatory lever as an export promotion tool rather than as a general opening of the domestic e-commerce sector to foreign-invested inventory-based operators.

The operationalisation of this policy change is linked to the Foreign Exchange Management Act framework. The decision will take effect from the date of the corresponding notification to be issued under FEMA, ensuring statutory alignment between the FDI policy pronouncement and the enforceable foreign exchange regulations. This sequencing is consistent with established administrative practice, whereby DPIIT press notes are followed by amendments to the FEMA Non-Debt Instruments Rules and related schedules to create legally enforceable obligations and permissions.

The Press Note further outlines the administrative machinery for disseminating and implementing this policy change. The Press Information Bureau has been requested to give wide publicity to the contents of the note, ensuring that stakeholders across the trade and investment ecosystem are adequately informed. The Department of Economic Affairs has been directed to suitably incorporate the policy changes into the Foreign Exchange Management Non-Debt Instruments Rules of 2019, including the relevant schedules and the FIRMS portal, which serves as the digital interface for foreign investment reporting. The Reserve Bank of India, through its Foreign Exchange Department, has been similarly tasked with aligning the FEMA rules and portal infrastructure with the revised policy position. The NIC Section within DPIIT has been entrusted with uploading the Press Note on the official DPIIT website, while the Hindi Section has been requested to provide the official Hindi translation, ensuring accessibility across linguistic constituencies.

For practitioners and businesses, the immediate takeaway is the emergence of a compliant pathway for foreign-invested e-commerce entities to hold inventory of Indian-made goods for the exclusive purpose of export, provided they navigate the concurrent requirements of the Foreign Trade Policy, the Handbook of Procedures, and the FEMA export regulations. As the corresponding FEMA notification is awaited, stakeholders would be well advised to begin structuring their export-oriented e-commerce ventures in anticipation of the formal legal activation of this welcome, if carefully bounded, liberalisation.

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