India opens Inventory-Based E-Commerce to FDI for Exports

30 July 2026

On 23 July 2026, the Department for Promotion of Industry and Internal Trade (DPIIT) issued Press Note No. 3 (2026 Series) (PN3), introducing a significant but targeted relaxation to India's foreign direct investment (FDI) framework for the e-commerce sector.

Under the existing framework, FDI is permitted in business-to-business (B2B) e-commerce and the marketplace model of e-commerce. However, it is not permitted in the inventory-based business-to-consumer (B2C) model, where the e-commerce entity owns the inventory and sells directly to consumers.

PN3 now creates a narrow exception by permitting foreign-funded e-commerce entities to operate an inventory-based model exclusively for the export of goods manufactured or produced in India.

1. What has changed?

(a) PN3 permits an e-commerce entity with FDI to operate an inventory-based model exclusively for the export of goods manufactured or produced in India. This allows a foreign-funded e-commerce entity to purchase Indian-made goods, hold them as inventory and sell them directly to customers outside India.

(b) Such exports must comply with the Foreign Trade Policy 2023, the Handbook of Procedures and the applicable foreign exchange regulations governing exports.

(c) This marks a departure from the existing framework, under which foreign-funded e-commerce entities have generally been limited to operate as marketplaces rather than owning the inventory sold through their platforms.

2. Domestic e-commerce remains unchanged

(a) The relaxation is limited to exports. PN3 does not permit foreign-funded e-commerce entities to adopt an inventory-based model for sales to consumers in India. Accordingly, the existing restrictions on FDI in inventory-based B2C e-commerce continue to apply to domestic sales.

(b) Businesses operating both export and domestic channels will need to maintain a clear operational distinction between the two. Inventory designated for export should be appropriately segregated from domestic marketplace operations, supported by robust inventory tracking and internal controls to prevent diversion into the domestic market in breach of the FDI framework.

3. What does this mean for the market?

(a) The reform is intended to make it easier for Indian manufacturers and sellers to access global markets. By allowing foreign-funded e-commerce platforms to purchase and export Indian-made products directly, the new framework may reduce the operational and compliance burden that individual sellers would otherwise face in exporting goods themselves.

(b) For large e-commerce platforms, the reform provides greater flexibility to develop export-focused supply chains in India, including procurement, inventory management and fulfilment capabilities. Over time, it may also encourage greater investment in export-oriented procurement, warehousing and fulfilment infrastructure. For Indian manufacturers, particularly micro, small and medium enterprises (MSMEs), this could provide a simpler route to reach overseas consumers through established global platforms.

(c) The reform has been welcomed by sections of the e-commerce industry as a measure that could strengthen India's e-commerce exports.

Comments

(a) PN3 represents a measured liberalisation of India's FDI framework for e-commerce. Rather than opening inventory-based e-commerce more broadly to foreign investment, the Government has introduced a narrow exception to facilitate exports of goods manufactured or produced in India.

(b) The reform seeks to balance two policy objectives: expanding Indian manufacturers' access to global markets while preserving the existing restrictions on foreign-funded inventory-based e-commerce in the domestic market.

(c) The distinction between export and domestic inventory will be central to implementation. Businesses intending to rely on the new framework will need to structure their operations carefully and maintain appropriate safeguards to ensure that inventory acquired for exports remains within the permitted framework.

(d) PN3 also provides that the policy change will take effect only upon issuance of the corresponding notification under the Foreign Exchange Management Act, 1999 (FEMA). Until the necessary amendments to the foreign exchange framework are notified, the existing restrictions on inventory-based e-commerce will continue to apply.

Businesses considering this route should therefore continue to monitor the issuance of the corresponding FEMA notification and any consequential regulatory guidance before implementing inventory-based export operation

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