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DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

Investing in India as a foreign company: DPIIT's rules

Investing in India as a foreign company needs no government approval in sectors the FDI policy doesn't list, which are open to 100% on the automatic route. You need approval if you're from a country sharing India's land border, or its citizens or entities own over 10% of you or control you. Industrial licences go only to Indian companies.

YES, IN ANY SECTOR the FDI policy doesn't list, and in listed sectors within their automatic limits. On the automatic route, neither the investor nor the Indian company needs approval from the Government of India (FDI Policy 3.4.1) or the Reserve Bank of India (DPIIT FAQ Q12). Owners in a land-border country change that.

KEY FACTS

FDI POLICY

Consolidated FDI Policy Circular of 2020

LAND-BORDER RULE

Press Note No. 2 (2026 Series)

PROCUREMENT

Public Procurement (Preference to Make in India), Order 2017

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Can a foreign company invest in India without approval?

Yes, in any sector the FDI policy doesn't list, and in listed sectors within their automatic limits. On the automatic route, neither the investor nor the Indian company needs approval from the Government of India (FDI Policy 3.4.1) or the Reserve Bank of India (DPIIT FAQ Q12). Owners in a land-border country change that.

Under Press Note 2 (2026) of March 15, 2026, an entity or citizen of a country sharing India's land border may invest only on the government route, even in automatic-route sectors (para 3.1.1(a)). So may an investor whose beneficial owner is a citizen of one. The rule took effect on May 2, 2026, when the Gazette published its notification under the Foreign Exchange Management Act (FEMA).

Direct investment by such an entity or citizen needs approval at any stake (DPIIT's land-border FAQ, Q5). An investor company registered elsewhere stays on the automatic route if land-border owners hold 10% or less of it, without control (Q2; Cabinet release of March 10, 2026, para 3). Investors that aren't companies use the thresholds in rule 9(3) of the 2005 money-laundering record rules (Q7). No DPIIT text we read lists the countries: Press Note 2 names only Pakistan, and none says whether Hong Kong, Macau or Taiwan count.

Sectoral, security, state and local laws still apply (FDI Policy 2020, para 3.7.1). Older texts lag. Since May 2, 2026, insurance companies may take 100% on the automatic route, subject to the insurance regulator's approval and verification (S.O. 2186(E), F.8.1 and F.8.3.1(b)). The 2020 policy still prints 49% (para 5.2.22.1).

DPIIT: India's investment, procurement and licensing rules →

FDI policy in India: routes, sector caps and bans →

Press Note 3: India's land-border investment rule in 2026 →

FDI approval in India: the government route, step by step →

DPIIT questions, answered from the official texts →

Which structure can take foreign investment?

An Indian company, such as a joint venture or wholly owned subsidiary, can take FDI within its sector's cap and route (FDI Policy 3.2.1; DPIIT FAQ Q6). An LLP can take it only on the automatic route, in sectors 100% automatic with no FDI-linked performance conditions. Branch, liaison and project offices follow the Reserve Bank of India's 2016 regulations.

Which entities can take FDI (FDI Policy 2020; DPIIT FAQ Q6 and Q7)

Structure	Foreign investment	FDI Policy para
Company incorporated in India	Yes, within the sector's cap and route	3.2.1
Limited liability partnership (LLP)	Automatic route, only in 100% automatic sectors with no FDI-linked performance conditions	3.2.4(i)
Trust	No, except SEBI-registered venture capital funds and investment vehicles	3.2.3
Branch, liaison or project office	Set up under the Reserve Bank's 2016 regulations for such offices	3.7.2
Partnership firm or proprietary concern	For a foreign company, only with the Reserve Bank's prior approval	3.2.2(iii)
Any other entity	No, unless the policy lists it	3.2.7

Tax and the Reserve Bank's office process aren't covered here.

Which DPIIT rules apply to your India plan?

Which rules apply depends on what you'll do in India. No official text sets an order, so the table matches each plan to its DPIIT rule and our guide. Every plan that brings in foreign money meets the FDI route and the land-border test.

If you plan to... (DPIIT rules as of October 29, 2026)

If you plan to	The rule	Our guide
Invest in an Indian company	100% automatic in any sector the policy doesn't list (FDI Policy 5.2(a))	FDI policy in India
Take money from an investor company with land-border owners	Approval above 10% or with control; otherwise a report to DPIIT first	Press Note 3
Sell to consumers in India	Your India-made goods, online too, without approval	FDI in retail and e-commerce
Sell to central government buyers	Bid as Class-I (50% local content or more, by default) or Class-II (20% to under 50%)	Make in India procurement order
Bid with land-border owners	Register with DPIIT's Registration Committee first if owners in those countries hold over 25% of your company, or control it	GFR Rule 144(xi)
Make electronic aerospace and defense equipment, industrial explosives or specified hazardous chemicals	An industrial licence (NSWS FAQ). Making cigars and cigarettes is closed to FDI (FDI Policy 2020, para 5.1(g))	Industrial licence in India
Import or make gas cylinders, pressure vessels, Ex equipment or explosives	Licences and approvals from PESO, the explosives and gas cylinder regulator (PESO Citizen Charter)	PESO licence
Make boilers or their parts for use in India	The facilities the regulations set, a certified design, materials to specification and certified welders (Boilers Act, 2025, section 7)	Indian Boiler Regulations
Make air conditioner or LED light components	The Production Linked Incentive (PLI), if selected (PIB, January 23, 2026, para 4)	PLI for white goods
Sell a product under a quality control order	The standard mark of BIS, the Bureau of Indian Standards (S.O. 1739(E); S.O. 5561(E), para 2)	Quality control orders

Can your Indian company sell what it makes?

Yes. Subject to the rest of the FDI policy, manufacturing is on the automatic route, and a manufacturer may sell its India-made goods wholesale or retail, including online, without government approval (FDI Policy 5.2.5.1). That includes goods a contract manufacturer makes for you under a legally tenable contract (DPIIT clarification of December 9, 2019, items 1 and 2).

Single-brand retail and e-commerce marketplaces are open to 100% on the automatic route, on conditions. The inventory model, where the company owns goods it sells to consumers in India, is closed to FDI (paras 5.2.15.3 and 5.2.15.2.3).

Multi-brand retail is open to 51% with government approval, on conditions (FDI Policy 2020, para 5.2.15.4). One foreign government's 2025 investment guide says India bars foreign investors from it.

FDI in retail and e-commerce: India's rules for foreign sellers →

Can your Indian company bid in government tenders?

Yes, if what it offers has enough local content. The Make in India order classes suppliers by the local content of what they offer: Class-I at 50% or more, Class-II at 20% to under 50%, by default (paras 2 and 5). Only those classes may bid, except in global tenders (para 3(b)). Land-border-linked bidders register first.

Below ₹200 crore, a buyer may not issue a global tender without approval from the authority the Department of Expenditure names (Make in India order, para 3(b)).

A bidder from a country that shares a land border with India may bid only once DPIIT's Registration Committee has registered it (Department of Expenditure order of February 23, 2023, para 2). The order doesn't cover the cases in its Annexure II (para 7). The order's line for a company's owners is more than 25%, or control (para 13(i)), against the FDI test's 10%, so a group can pass one test and fail the other.

Make in India procurement order: local content and bidding rules →

GFR Rule 144(xi): registering bidders from land-border countries →

Which licences can a foreign-owned company hold?

Your Indian company holds any industrial licence, because only Indian companies are considered (NSWS FAQ). PESO deals with foreign makers more directly: a foreign cylinder or valve maker

applies for PESO's approval itself, and imported Ex equipment is approved to the maker's Indian agent.

Who holds which licence or approval, as of October 29, 2026

Licence or approval	Who holds it	Source
Industrial licence	Indian companies only	NSWS FAQ
PESO's approval of a foreign cylinder or valve maker	The foreign maker; only its appointed Indian distributor imports its new cylinders and valves	PESO cylinder FAQ, I.4, I.8, III.5
Approval of Ex equipment for hazardous areas	The maker, or a foreign maker's Indian agent; never the user	PESO Petroleum Rules FAQ, Ex, Q4
Occupier under the Explosives Rules	For a foreign company, its director residing in India	G.S.R. 887(E), rule 2(b)
Boiler recognition as a competent authority, or as a well-known steel maker, tube or pipe maker, or foundry or forge	The foreign firm, for USD 10,000, plus USD 2,000 for each further unit in the same country	Indian Boiler Regulations, 2026, regulation 17(4) and its proviso

For a boiler made outside India, drawings and material details go first to the inspecting authority in the country of manufacture. The Chief Inspector of Boilers where it'll be used then approves them before manufacture starts (regulation 321(2) to (4)).

Industrial licence in India: the four industries that need one →

PESO licence: gas cylinders, pressure vessels and explosives →

Indian Boiler Regulations 2026 and the Boilers Act, 2025 →

Can a foreign-owned company get the PLI incentive?

Yes, through a company incorporated in India. The PLI scheme for white goods accepts only companies incorporated in India under the Companies Act, 2013, and LLPs can't apply (guidelines para 5.1; FAQ Q3). Foreign investment in the applicant must follow the FDI policy (para 5.2).

A maker paid the incentive for an item counts as a Class-II local supplier for it in central government tenders, unless its local content makes it Class-I. That holds for the period the PLI

ministry notifies (Make in India order, para 2A). PLI applications are taken in rounds: the fourth ran from September 15 to November 10, 2025 (PIB, October 17, 2025).

The PLI scheme for white goods: rate, term and rounds →

What compliance follows an investment?

Reporting, mainly. How the money comes in and how it's reported follow the 2019 Non-debt Instruments Rules and the Reserve Bank of India's 2019 regulations on payment and reporting (DPIIT FAQ Q5). Breaches fall under FEMA, which the Reserve Bank administers and the Directorate of Enforcement enforces (FAQ Q4).

- **Before the money:** with land-border owners at 10% or less, without control, report to DPIIT on NSWS before the money arrives (DPIIT SOP, Annexure VII, para 6; land-border FAQ, Q8). Report to the Reserve Bank after it (land-border FAQ, Q11).
- **Penalties:** up to three times the sum involved, or ₹2 lakh where it can't be counted, plus up to ₹5,000 for each day after the first while it goes on (FDI Policy 2020, Annexure 5, para 3.1(i)). A breach can be compounded, settled for a sum (SOP, para II.15).
- **Jan Vishwas:** the 2023 Act decriminalized 183 provisions in 42 Acts. The 2026 Act amends 784 provisions in 79 central Acts and decriminalizes 717 of them (Rajya Sabha answer of August 7, 2026). Each part starts on a notified date, which may differ by Act (2026 Act, section 1(2)).
- **Prison still applies in places:** tampering with a boiler's safety valve can bring up to two years in prison, a fine of up to ₹1 lakh, or both (Boilers Act, 2025, section 29).

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- FDI rules set the beneficial owner test for land-border approval (Insight, May 1, 2026)

Frequently asked questions

What is the National Single Window System, and do I have to use it?

The National Single Window System (NSWS) is the central portal to find, apply for and track central and state approvals (NSWS FAQ). FDI approval applications, land-border reports, industrial licences and PESO approvals are filed there, so for those, yes (SOP, para I.1; land-border FAQ, Q8; PESO notice). It doesn't change how ministries decide.

Our investor is registered outside China but has Chinese owners. Do we need approval?

Yes, if citizens or entities of a country that shares a land border with India hold over 10% of your investor company, directly or indirectly, or control it or the Indian company (land-border FAQ, Q3). At 10% or less without control, your sector's usual route applies, and DPIIT gets a report before the money arrives (Press Note 2 (2026), para 3.1.1(d); FAQ Q2 and Q8).

Is an investment by our Indian subsidiary into another Indian company foreign investment, and what must be filed?

Yes, if your Indian company is owned or controlled by persons resident outside India. The company it invests in then follows the entry route, caps and pricing rules for foreign investment (DPIIT FAQ Q10). Report it to the Reserve Bank in Form DI, and on the Foreign Investment Facilitation Portal, within 30 days (FDI Policy 3.8.4.2(i)).

Sources

- Consolidated FDI Policy Circular of 2020, effective October 15, 2020: paras 3.2.1, 3.2.2(iii), 3.2.3, 3.2.4(i), 3.2.7, 3.4.1, 3.7.1, 3.7.2, 3.8.4.2, 5.1(g), 5.2(a), 5.2.5.1, 5.2.15, 5.2.22.1 and Annexure 5, para 3.1(i) (DPIIT)
- Press Note No. 2 (2026 Series), March 15, 2026: Review of FDI Policy on Investments from Countries Sharing Land Border with India, para 3.1.1 (DPIIT)
- S.O. 2174(E), May 1, 2026, Gazette of May 2, 2026: Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2026, rule 1(2) (PDF, 723 KB)
- Frequently Asked Questions on Guidelines for Investments from Countries Sharing Land Border with India, updated October 23, 2026: Q2, Q3, Q5, Q7, Q8 and Q11 (DPIIT)
- PIB release 2237806, March 10, 2026: Cabinet approves changes in guidelines on investments from countries sharing land border with India, para 3
- FAQs related to FDI Policy Section: Q4, Q5, Q6, Q7, Q10 and Q12 (DPIIT)
- S.O. 2186(E), May 2, 2026: Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2026 (insurance), F.8.1 and F.8.3.1(b)
- Standard Operating Procedure for Processing FDI Proposals, No. 1/8/2016-F.C. I, May 4, 2026: paras I.1 and II.15, and Annexure VII, para 6 (DPIIT)
- DPIIT File No 12(1)/2019-FDI Policy, December 9, 2019: Clarification on FDI Policy on Contract Manufacturing, items 1 and 2
- Public Procurement (Preference to Make in India) Order, 2017, as revised on July 19, 2024: paras 2, 2A, 3(b) and 5 (DPIIT)
- Department of Expenditure, No. F.7/10/2021-PPD, February 23, 2023: Order (Public Procurement No. 4) under Rule 144(xi) of the General Financial Rules, 2017, paras 2, 7 and 13(i), and Annexure II
- National Single Window System: frequently asked questions (industrial licences; purpose; existing processes)

- PESO Citizen Charter: our functions
- PESO: time line for disposal of online applications (May 2023)
- PESO, FAQ-GCR-2024: FAQs under the Gas Cylinders Rules, 2016, I.1, I.4, I.8 and III.5
- PESO, Revised FAQs on the Petroleum Rules, 2002: Ex Electric Apparatus, Q4
- G.S.R. 887(E), October 14, 2026: Explosives (Second Amendment) Rules, 2026, rule 2(b), new clause (37)(g) (PDF, 1.4 MB)
- The Boilers Act, 2025 (Act No. 12 of 2025), sections 7 and 29
- Indian Boiler Regulations, 2026, made August 7, 2026, Gazette of October 1, 2026: regulation 17(4) and its proviso, and regulation 321 (PDF, 31 MB)
- Guidelines for the PLI Scheme for White Goods, consolidated October 23, 2023: paras 5.1 and 5.2
- FAQs on the PLI Scheme for White Goods, Q3
- PIB release 2180335, October 17, 2025: Government extends application window for Round 4 of PLI Scheme for White Goods (ACs and LED Lights) till 10th November 2025
- PIB release 2217743, January 23, 2026: five companies selected under the PLI scheme for white goods (fourth round), para 4
- S.O. 1739(E), April 6, 2026: Safety of Household, Commercial and Similar Electrical Appliances (Quality Control) Order, 2026 (PDF, 1.2 MB)
- S.O. 5561(E), October 9, 2026: Hand Tools (Quality Control) Order, 2026, para 2 (PDF, 458 KB)
- Rajya Sabha Unstarred Question No. 2276, August 7, 2026: steps to improve ease of doing business (Jan Vishwas Acts of 2023 and 2026)
- The Jan Vishwas (Amendment of Provisions) Act, 2026 (No. 8 of 2026), section 1(2) (PDF, 1.9 MB)

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