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DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

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

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A FOREIGN-OWNED company can sell in India by making goods here, through single-brand or multi-brand retail, or through wholesale. It can also run an online marketplace. Each route has its own FDI cap, entry route and conditions in the Consolidated FDI Policy of 2020, as later Press Notes amend it. Inventory e-commerce for consumers in India stays closed.

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

UPDATED

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What does India allow for FDI in retail and e-commerce?

A foreign-owned company can sell in India by making goods here, through single-brand or multi-brand retail, or through wholesale. It can also run an online marketplace. Each route has its own FDI cap, entry route and conditions in the Consolidated FDI Policy of 2020, as later Press Notes amend it. Inventory e-commerce for consumers in India stays closed.

The rules are in paragraphs 5.2.5 and 5.2.15 of the Consolidated FDI Policy of October 15, 2020. On the automatic route, no government approval is needed. On the government route, the ministry in charge of the sector decides first (para 3.4.1). See also DPIIT: India's investment, procurement and licensing rules.

Selling models for a foreign-owned company, as of October 29, 2026

Selling model	FDI cap	Entry route	Main condition	FDI Policy para
Making goods in India, yourself or by contract	100% (FDI FAQ, Q17)	Automatic	Sell India-made products wholesale or retail, online too	5.2.5.1
Single-brand retail	100%	Automatic	Above 51% FDI, 30% of goods bought, by value, from India	5.2.15.3
Multi-brand retail	51%	Government	At least USD 100 million of FDI; no online sales	5.2.15.4
Retail of food made or produced in India	100%	Government	Covers that food, in stores or online	5.2.5.2
Wholesale and B2B e-commerce	100%	Automatic	Business buyers only; group sales at most 25% of turnover	5.2.15.1
E-commerce marketplace	100%	Automatic	No ownership or control of the goods sold	5.2.15.2.3(i) and 5.2.15.2.4(iv)
Inventory e-commerce for consumers in India	Not allowed	Not allowed	Closed to FDI	5.2.15.2.3(ii)
Inventory e-commerce for export only	Not stated	Not stated	Goods made or produced in India; allowed since September 3, 2026	5.2.15.2.5 (S.O. 4870(E), serial 15.2.5)

Trading drew USD 53,508 million of FDI equity from April 2000 to June 2026, 7% of the total, by DPIIT's provisional factsheet to June 2026.

An entity or citizen of a country that shares a land border with India may invest only on the government route, even in an automatic-route sector. The same applies to an investment whose beneficial owner is such a citizen (Press Note 2 (2026), para 3.1.1(a), in force since May 2, 2026 under S.O. 2174(E)). See Press Note 3 and India's land-border investment rule.

Can a foreign-owned manufacturer sell its own products?

Yes. A foreign-owned company that makes goods in India may sell them wholesale or retail, including online, without government approval (FDI Policy para 5.2.5.1). Manufacturing is on the automatic route, subject to the rest of the FDI Policy. It can be the company's own production, or contract manufacturing in India under a legally tenable contract.

DPIIT's clarification on contract manufacturing of December 9, 2019 confirms that a company that outsources production this way counts as a manufacturer. It may sell those products wholesale, retail or online, like a company that makes its own (items 1 and 2).

The permission covers "its products manufactured in India" (para 5.2.5.1). For the other steps of setting up, see investing in India as a foreign company.

What are the rules for single-brand retail?

Single-brand retail trading is open to 100% FDI on the automatic route (FDI Policy para 5.2.15.3). The products must be of one brand, sold under that brand in at least one country other than India, and branded during manufacture. Above 51% foreign investment, 30% of the value of the goods bought must come from India.

The single-brand conditions in FDI Policy para 5.2.15.3

Condition	The rule	Paragraph
One brand	One brand only, sold under it in at least one other country, and branded during manufacture	5.2.15.3(2)(a) to (c)
30% sourcing	Applies above 51% FDI, preferably from micro, small and medium enterprises, village and cottage industries, artisans and craftsmen	5.2.15.3(2)(e)
How the 30% is measured	A 5-year average from April 1 of the year the first store opens or online sales start, whichever is earlier, then every year	5.2.15.3(2)(e)
What counts toward the 30%	All goods bought in India for the brand, sold here or exported, plus goods the company or its group sources from India for the brand worldwide	5.2.15.3(2)(f)
Online sales	Allowed before stores open, if stores open within 2 years	5.2.15.3(2)(g)
Relief	No sourcing rule for the first 3 years for leading-edge technology that can't be sourced locally, if a committee chaired by DPIIT's Secretary recommends it	5.2.15.3, Note (iii)

Can a foreign company own a multi-brand retail chain?

Yes, up to 51%, with government approval only (FDI Policy para 5.2.15.4). The retailer needs at least USD 100 million of FDI and must buy at least 30% of its manufactured or processed goods, by value, from Indian micro, small and medium industries. It may open stores only in states and union territories that have agreed, and can't sell online.

- **Back end.** At least half of the first USD 100 million goes into back-end infrastructure, such as logistics and storage, within 3 years (para 5.2.15.4(1)(iii)).
- **Sourcing.** At least 30% of manufactured or processed products bought, by value, comes from Indian micro, small and medium industries with plant and machinery worth up to USD 2 million (para 5.2.15.4(1)(iv)).
- **Where and how.** Stores only in states and union territories that have agreed, and no e-commerce in any form (para 5.2.15.4(1)(viii) and (ix)).

One 2025 foreign government investment guide says India bars foreign investors from multi-brand retail. The policy allows up to 51%, with approval. See FDI approval in India, step by step.

What are the rules for wholesale and B2B e-commerce?

Wholesale trading, including business-to-business (B2B) e-commerce, is open to 100% FDI on the automatic route (FDI Policy para 5.2.15.1). Wholesale means selling to retailers, other wholesalers, and industrial, commercial, institutional or professional users for their business, not for personal use. The type of customer decides it, not the size of the sale.

A sale counts as wholesale only to a buyer with a tax registration, trade licence or retail permit, to a registered institution buying for its own use, or to the government (para 5.2.15.1.2(b)). B2B e-commerce follows the same guidelines (para 5.2.15.2.4(x)).

What are the rules for an e-commerce marketplace?

An e-commerce marketplace, a platform that connects buyers and sellers, is open to 100% FDI on the automatic route (FDI Policy para 5.2.15.2.3(i)). The marketplace may not own or control the goods sold on it. It must treat sellers alike, may not influence prices, and needs a yearly statutory auditor's report that it followed the rules.

- **Deemed control.** A seller's inventory counts as controlled by the marketplace if more than 25% of the seller's purchases come from the marketplace or its group companies (para 5.2.15.2.4(iv)).
- **Related sellers.** A company the marketplace or its group holds equity in may not sell on that marketplace (para 5.2.15.2.4(v)).
- **Equal terms.** Services such as fulfillment, logistics and payments must go to sellers at arm's length, on fair and non-discriminatory terms (para 5.2.15.2.4(ix)).
- **No exclusivity.** No seller may be made to sell a product only on the platform (para 5.2.15.2.4(xi)).
- **Auditor's report.** Due by September 30 each year, for the financial year before (para 5.2.15.2.4(xii)).

Can an e-commerce company with FDI hold inventory?

An e-commerce company with FDI can't hold inventory to sell to consumers in India. The inventory model, where the company owns the goods and sells them to consumers, is closed to FDI (FDI Policy para 5.2.15.2.3(ii)). Press Note 3 (2026) kept that ban. Since September 3, 2026, stock held only to export goods made or produced in India is allowed.

Three routes above still let a foreign-owned company sell its own stock online. They are making goods in India (para 5.2.5.1), single-brand retail (para 5.2.15.3(2)(g)) and, with government approval, retail of food made or produced in India (para 5.2.5.2).

What changed for e-commerce exports in 2026?

Since September 3, 2026, an e-commerce company with FDI may hold inventory to export goods made or produced in India. DPIIT announced the change in Press Note 3 (2026) of July 23, 2026. It took effect when the Gazette published S.O. 4870(E), dated September 2, on September 3. Selling inventory to consumers in India stays barred (serial 15.2.5(b)).

- **The Press Note.** Press Note 3 (2026 Series), dated July 23, 2026, inserts para 5.2.15.2.5 in the FDI Policy, to take effect "from the date of FEMA notification" (para 3).
- **The law.** S.O. 4870(E) adds serial 15.2.5 to the Non-debt Instruments Rules, 2019, in force on Gazette publication (rule 1(2)). Neither it nor the Press Note states a cap or entry route for this model.
- **Which rules.** The Foreign Trade Policy 2023, its Handbook of Procedures and the 2015 export regulations under the Foreign Exchange Management Act govern the exports (new para 5.2.15.2.5(i)).

Some reports date the change to August 5, 2026. That's the date of DGFT's own export framework, not of the FDI change. Press Note 3 (2026) is also a different document from Press Note 3 (2020), where the land-border rule began.

What the texts leave open

The FDI texts don't say whether the export business must be separate from a marketplace. They leave the export side to the Foreign Trade Policy 2023 and its Handbook.

Paragraph 9.13(i) of the Foreign Trade Policy 2023, added by Notification 27/2026-27 of August 5, 2026, says an e-commerce entity exporting under para 5.2.15.2.5 does it "through a separate legal entity incorporated for this purpose". Paragraph 9.15(i) leaves marketplace entities out of export-only inventory. See e-commerce exports from India and the Exporter-on-Record, and our insights on the FDI rule change and DGFT's framework.

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- FDI rules allow inventory e-commerce for exports of Indian goods
  (Insight, September 2, 2026)

Frequently asked questions

Does buying from a unit in a Special Economic Zone count as sourcing from India?

Yes, for single-brand retail's 30% rule, if the goods are made in India. DPIIT's clarification on single-brand retail of February 2020 says sourcing from units in Special Economic Zones qualifies, subject to the Special Economic Zones Act, 2005 and other laws (item 1).

Can unsold or returned export stock be sold in India?

The FDI texts don't address returns, but they lift the inventory restrictions only for exports, so sales to consumers in India stay barred (S.O. 4870(E), new serial 15.2.5(b)). DGFT's framework is explicit: returned or rejected consignments can't be sold or supplied in India (Foreign Trade Policy para 9.18(ii)).

Can our wholesale company sell to our own group companies?

Yes. Wholesale trading among companies of the same group is allowed, but those sales together may not exceed 25% of the wholesale business's total turnover (FDI Policy para 5.2.15.1.2(d)).

Sources

- Consolidated FDI Policy Circular of 2020, effective October 15, 2020: paras 3.4.1, 5.2.5 and 5.2.15 (DPIIT)
- Press Note No. 3 (2026 Series), July 23, 2026: Review of FDI policy on E-commerce Sector, new para 5.2.15.2.5 (DPIIT)
- S.O. 4870(E), September 2, 2026, Gazette of September 3, 2026: Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2026, new serial 15.2.5 (PDF, 574 KB)
- DPIIT File No 12(1)/2019-FDI Policy, December 9, 2019: Clarification on FDI Policy on Contract Manufacturing

- DPIIT File No 5(6)/2019-FDI Policy, February 2020: Clarification on FDI Policy on Single Brand Retail Trading (SBRT)
- FAQs related to FDI Policy Section (DPIIT, undated; read October 29, 2026): Q17, sectoral caps and entry routes
- 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(a) (DPIIT)
- S.O. 2174(E), May 1, 2026, Gazette of May 2, 2026: Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2026 (land-border investment) (PDF, 723 KB)
- DGFT Notification No. 27/2026-27 (S.O. 4335(E)), August 5, 2026: Foreign Trade Policy 2023 paras 9.13 to 9.19, the inventory-based e-commerce export framework (PDF, 738 KB)
- Fact sheet on FDI inflow from April 2000 to June 2026 (DPIIT, provisional figures; uploaded September 14, 2026)

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