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DEPARTMENT OF ECONOMIC AFFAIRS

FDI rules allow inventory e-commerce for exports of Indian goods

S.O. 4870(E) adds entry 15.2.5 to the NDI Rules, 2019: an e-commerce entity may run an inventory-based model exclusively to export goods made or produced in India.

THE DEPARTMENT OF Economic Affairs, Ministry of Finance, issued notification S.O. 4870(E), dated September 2, 2026, making the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2026. It was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), No. 4683, dated September 3, 2026. The Central Government made the rules under clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999, and they come into force on the date of their publication in the Official Gazette. The notification inserts a new serial number 15.2.5 after serial number 15.2.4 in the Table in Schedule I to the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (the NDI Rules). It is signed by Dr. Alok Tiwari, Joint Secretary, under F.No. 1/4/2026-EM.

KEY FACTS

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Clause (a) of the new entry reads: "An e-commerce entity is permitted to engage in inventory-based model of e-commerce exclusively for the export of goods or products manufactured or produced in India in accordance with the provisions of the Foreign Trade Policy 2023 read with the Handbook of Procedures (HBP) and the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015." Clause (b) reads: "The restrictions on Business to Consumer(B2C) and the inventory-based model of e-commerce stipulated under the provisions from serial number 15.2.1 to 15.2.4 above, shall not apply to the export of goods or products through e-commerce as permitted under clause (a)."

Serial numbers 15.2.1 to 15.2.4 were published with the NDI Rules in S.O. 3732(E) of October 17, 2019. Entry 15.2.1 allows 100% foreign investment under the automatic route in B2B e-commerce activities and says such companies "would engage only in Business to Business (B2B) e-commerce and not in retail trading". Entry 15.2.2 allows 100% under the automatic route in the marketplace model of e-commerce. Entry 15.2.3 sets the other conditions. It defines the "Inventory based model of e-commerce" as "an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly", bars a marketplace entity from exercising ownership over the inventory, and ends with the note "Foreign investment is not permitted in inventory based model of e-commerce." Entry 15.2.4 puts the sale of services through e-commerce under the automatic route, subject to "the sector specific conditions, applicable laws/ regulations, security and other conditionalities".

The Department for Promotion of Industry and Internal Trade (DPIIT) announced the change in Press Note No. 3 (2026 Series), dated July 23, 2026. It says foreign direct investment (FDI) is permitted in B2B e-commerce and the marketplace model, but not in Business to Consumer (B2C) e-commerce or the inventory-based model, and that the restrictions on the inventory-based model "shall not apply in case of exports of domestically manufactured and/or produced goods/products". It proposed a matching paragraph 5.2.15.2.5 in the FDI Policy and said the decision would take effect from the date of the FEMA notification. The Directorate General of Foreign Trade (DGFT) then added an "Inventory-based Cross-border E-Commerce Facilitation

Framework" to the Foreign Trade Policy 2023 by Notification No. 27/2026-27, dated August 5, 2026. It says that where an e-commerce entity proposes export operations under para 5.2.15.2.5, "such operations shall be carried out through a separate legal entity incorporated for this purpose", registered with DGFT as an Exporter-on-Record. Under that framework, only goods of Indian origin are eligible, and returned or rejected consignments may not be sold or supplied in the domestic market.

The amendment does not change serial numbers 15.2.1 to 15.2.4. Their restrictions are lifted only for the export of goods or products through e-commerce as permitted under clause (a), so it makes no change for sales within India. The amendment does not define "exclusively", and it does not name the provisions of the Foreign Trade Policy 2023 or the Handbook of Procedures it refers to. The new entry states no sectoral cap or entry route of its own.

Issued by	Department of Economic Affairs, Ministry of Finance
Document	Notification S.O. 4870(E), the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2026
Dated	September 2, 2026
Published	Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), No. 4683, September 3, 2026
Takes effect	The date of publication in the Official Gazette; the Gazette is dated September 3, 2026
Amends	Schedule I, Table, of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019: new serial number 15.2.5 after 15.2.4
Applies to	E-commerce entities engaging in the inventory-based model exclusively for the export of goods or products manufactured or produced in India
Export rules cited	Foreign Trade Policy 2023, Handbook of Procedures (HBP), and the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015
Lifted for those exports	The restrictions on Business to Consumer (B2C) and the inventory-based model of e-commerce in serial numbers 15.2.1 to 15.2.4
Legal basis	Clauses (aa) and (ab), section 46(2), Foreign Exchange Management Act, 1999
Related	DPIIT Press Note No. 3 (2026 Series), July 23, 2026, which proposed the matching para 5.2.15.2.5 of the FDI Policy

Export framework under the FTP	DGFT Notification No. 27/2026-27, August 5, 2026: export operations under para 5.2.15.2.5 of the FDI Policy through a separate legal entity registered as an Exporter-on-Record; goods of Indian origin only
Signed by	Dr. Alok Tiwari, Joint Secretary
File number	F.No. 1/4/2026-EM

The notification (PDF, 574 KB)

Source: Gazette of India, CG-DL-E-03092026-275964.

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