Legacy Growth Insights

FDI Relaxation for Inventory-Based E-Commerce Exports
5 September 2026

KEY TAKEAWAY

- The Ministry of Finance has notified the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2026 vide S.O. 4870(E) dated 2 September 2026, published in the Gazette on 3 September 2026.
- New paragraph 15.2.5 in Schedule I permits an e-commerce entity to undertake an inventory-based model exclusively for export of goods or products manufactured or produced in India, subject to the Foreign Trade Policy 2023, Handbook of Procedures and FEMA export regulations. The relaxation is therefore subject to three key boundaries:
  - (i) Goods/products must be manufactured or produced in India
  - (ii) The inventory-based model must be used exclusively for exports
  - (iii) Applicable foreign trade and FEMA export requirements must continue to be complied with.
- The restrictions applicable to B2C and inventory-based e-commerce under paragraphs 15.2.1 to 15.2.4 will not apply to exports through e-commerce permitted under the new paragraph 15.2.5.
- The amendment is the FEMA step that incorporates the export-only inventory-based e-commerce framework into the foreign investment regulations, following the earlier policy and trade regulatory measures issued by DPIIT and DGFT.

The key boundary remains clear: the relaxation is for export of Indian-made goods and does not open inventory-based domestic B2C e-commerce to foreign investment.

From a practical standpoint, Foreign-invested e-commerce entities can now undertake an inventory-based e-commerce model exclusively for the export of goods/products manufactured or produced in India, subject to the applicable FTP, HBP and FEMA export requirements.

Model/Use case	Earlier position	Current position	Key Boundary
Inventory-based e-commerce for domestic B2C	Not permitted for FDI	Remains restricted	No domestic consumer sale under the export carve-out
Inventory-based e-commerce for exports	Generally restricted	Specifically permitted for exports	Only goods manufactured/produced in India
Marketplace e-commerce	Permitted subject to existing FDI conditions	Continues	Existing marketplace conditions remain applicable

Sources: Ministry of Finance, S.O. 4870(E) dated 2 September 2026. DPIIT Press Note No. 3 (2026 Series) dated 23 July 2026. DGFT Notification No. 27/2026-27 and Public Notice No. 25/2026-27 dated 5 August 2026.

BACKGROUND

- India's FDI policy has historically distinguished between the marketplace model and the inventory-based model of e-commerce. The inventory-based model, where the e-commerce entity owns and sells inventory directly, has been subject to a broad restriction in the FDI framework.
- On 23 July 2026, DPIIT Press Note No. 3 (2026 Series) created a targeted exception: the inventory-based restriction would not apply where the activity is undertaken for export of domestically manufactured and/or produced goods or products.
- DGFT subsequently operationalised the export architecture on 5 August 2026 through Notification No. 27/2026-27 and Public Notice No. 25/2026-27. The framework introduced the Exporter-on-Record (EOR)/Seller-on-Record (SOR) model and prescribed detailed requirements around confirmed export orders, inventory segregation, traceability, seller payments, export benefits and reverse logistics.
- The notification brings the export-only inventory carve-out into the FEMA (Non-debt Instruments) Rules, 2019, with the amendment taking effect from the date of its publication in the Official Gazette.

IMPACT ANALYSIS

Earlier framework under FEMA/FDI	Amended framework	Impact
Inventory-based e-commerce was generally outside the permitted foreign investment model, including for domestic B2C sales.	New para 15.2.5 permits an e-commerce entity to undertake an inventory-based model exclusively for export of goods/products manufactured or produced in India.	Foreign-invested e-commerce businesses can now adopt an export focused principal/inventory model without relying solely on a marketplace structure.
No dedicated FEMA/FDI carve-out existed for an export-only inventory model, creating a regulatory constraint even where the commercial activity was entirely export oriented.	The export carve-out is now aligned with the FTP/HBP framework and FEMA export regulations. Existing domestic B2C and inventory restrictions continue outside this carve-out.	The relaxation is meaningful but tightly ring-fenced: Indian origin, export-only use, and compliance with the prescribed foreign trade and export realisation framework remain central.

LEGACY GROWTH's VIEWPOINT

This is a significant but a limited scope liberalization. The policy now recognises that inventory ownership can be commercially useful for cross-border e-commerce when the economic destination of the goods is outside India. For foreign-invested platforms, this can support a more integrated export model with greater control over product assortment, fulfilment and the customer journey.

From a structuring perspective, the opportunity should be evaluated together with the DGFT EOR/SOR framework rather than viewed as an FDI relaxation in isolation. In particular, businesses should map the entity that holds export inventory, the Indian seller relationships, title transfer against confirmed overseas orders, inventory segregation and traceability, export documentation, seller payment timelines, export benefits and the treatment of returns. The change can materially improve the viability of India centred cross-border e-commerce platforms and export aggregators.

The opportunity should therefore be evaluated holistically across the commercial model, FEMA, GST, transfer pricing and direct tax, with the export-only character of the arrangement demonstrable in both substance and documentation.

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