

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Foreign Direct Investment in Retail Permitted with Limitations

Report Categories:

Retail Foods

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Report Highlights:

The Government of India (GOI) foreign investment rules allow 51 percent Foreign Direct Investment (FDI) in multi-brand retail with a minimum investment of \$100 million subject to individual state approval. The GOI's Department of Industrial Policy and Promotion of the Ministry of Commerce and Industries updates and publishes its consolidated policy almost every year. This report illuminates current FDI in various retail format requirements.

General Information:

Foreign Direct Investment in Multi-Brand Retail Remains Cloudy:

India's federal government allows foreign and multinational supermarket brands to open shops in India though individual states can still deny approval for FDI in retail that takes place in their respective jurisdiction. In August 2017, the GOI's Department of Industrial Policy and Promotion published a [Consolidated FDI Policy](#) that clarified investment procedures in retail (multi-brand and single-brand) marketing in an effort to attract foreign investment. In the case of FDI in multi-brand retailing, foreign equity up to 51 percent is allowed subject to a number of conditions and implementation is on a state-by-state basis. Only 12 states/union territories are listed in the circular as having agreed to allow FDI in multi-brand retail. While no official notification restricting FDI in multi-brand retail exists, the GOI has not opened the sector.

FDI in multi-brand retail is allowed subject to the following conditions:

- Fresh agricultural produce to be sold unbranded,
- A minimum investment of U.S. \$100 million is mandatory,
 - At least 50 percent of the first tranche of U.S. \$100 million, shall be invested in back-end infrastructure,
- A minimum of 30 percent of the value of procurement of manufactured or processed products purchased shall be sourced from Indian micro, small, and medium-sized industries,
- Retail sales outlets may be set up only in cities with a population of over one million,
- Government will hold first right to procure agricultural produce,
- State Governments and Union Territories would be free to take their own decision in regard to implementation of the policy,
- Retail trading in any form, by means of e-commerce is not permitted.

Duty Free Shops:

The GOI allows 100 percent FDI via automatic route for Duty-Free shops, which by definition are set up in bonded areas where there is transit of international passengers. These shops are not allowed to engage into any retail trading activity in domestic area of the country. Alcoholic beverages, tobacco products, chocolates, and other confectionary items are showcased primarily in these stores.

Foreign Direct Investment in Cash and Carry Wholesale Trading Permitted:

The GOI's Department of Industrial Policy and Promotion clarified in the [Consolidated FDI Policy](#) that 100 percent FDI is permitted in business-to-business (B2B) activities. Cash and carry or wholesale trading includes resale, processing and later sale, as well as bulk imports with ex-port or ex-bonded warehouse business sales and B2B e-Commerce. The determination of whether a transaction is wholesale or not depends on the type of customer to whom a sale is made and not the volume of the sale.

Foreign Direct Investment in E-Commerce Sector Permitted with Limitations:

FDI is permitted in business-to-business (B2B) e-commerce activities but not in e-commerce retail trading or direct to consumer sale. FDI is not permitted in retail trading, in any form, by e-commerce for companies engaged in single or multi brand retail trading. However, 100 percent FDI is permitted under a marketplace model of e-commerce (i.e., a website serves as a platform for other private vendors to market single or multiple brands). No FDI is permitted under the inventory based model of e-commerce (i.e., where an inventory of goods and services is owned by an e-commerce entity and is sold directly to consumers).

Table 1. India: FDI in Retail Timeline

TIMELINE	SERIES OF EVENT
July 1991	FDI up to 51 percent allowed in certain stores
January 1997	FDI up to 100 percent allowed in “cash and carry” format with automatic government approval
February 10, 2006	FDI up to 51 percent allowed in single brand retail with government approval
November 24, 2011	FDI up to 100 percent in multi-brand retail approved
December 7, 2011	FDI up to 100 percent in multi-brand retail put on hold
January 10, 2011	FDI up to 100 percent in single-brand retail approved
September 14, 2012	FDI up to 100 percent in multi-brand retail approved
September 20, 2012	FDI in single brand sourcing norms amended
December 05, 2012	FDI in multi-brand retail decision wins a confidence vote in Lok Sabha (lower house)
December 07, 2012	FDI in multi-brand retail decision wins a confidence vote in Rajya Sabha (upper house)
June 06, 2013	Clarification issued on queries of prospective investors on FDI Policy of multi-brand retail
August 01, 2013	Union Cabinet approves amendment in FDI policy for multi-brand retail trading
May 27, 2014	FDI in multi-brand retail to be evaluated in a calibrated manner as per the newly elected government
May 12, 2015	FDI in multi-brand retail up to 51 percent allowed in single brand retail with government approval
June 7, 2016	Consolidated FDI Policy 2016 published
August 8, 2017	Consolidated FDI Policy 2017 published

