EXPORT-ONLY INVENTORY OWNERSHIP

India's New Cross-Border E-Commerce Framework

For years, India's foreign direct investment policy permitted foreign investment in the marketplace model of e-commerce but kept inventory-led business-to-consumer e-commerce outside the permitted framework. That position has now been relaxed, but only for exports. The framework allows an export-focused e-commerce business to act as the substantive exporter rather than merely facilitating a transaction between an Indian seller and an overseas buyer. It can take responsibility for procurement, export execution, export benefits and returns, while the domestic seller receives a time-bound payment obligation. At the same time, the domestic prohibition on foreign-invested inventory-based business-to-consumer e-commerce remains intact.

I. BACKGROUND

Historically, the foreign direct investment framework drew a clear distinction between marketplace and inventory-based e-commerce. Foreign investment was permitted in business-to-business ("**B2B**") e-commerce and in the marketplace model, where the e-commerce entity acts as a facilitator between buyers and sellers. Foreign investment was not permitted in business-to-consumer ("**B2C**") e-commerce or in the inventory-based model, where the e-commerce entity owns the inventory and sells directly to consumers.

Through Press Note No. 3 (2026 Series) dated July 23, 2026 and Notification No. 27/2026-27 dated August 5, 2026, the Government has introduced an Inventory-based Cross-border E-Commerce Facilitation Framework into Chapter 9 of the Foreign Trade Policy 2023. In simple terms, an eligible e-commerce entity may now operate through a Directorate General of Foreign Trade registered Exporter-on-Record, purchase goods of Indian origin from domestic sellers against confirmed overseas orders, hold those goods as export inventory and sell them to buyers outside India.

II. THE POLICY SHIFT: WHAT CHANGED FROM THE EARLIER POSITION

The framework is built around two principal entities: the Exporter-on-Record ("**EOR**") and the Seller-on-Record ("**SOR**"). The distinction matters because the Exporter-on-Record becomes the export-facing principal, while the Seller-on-Record remains the domestic supplier of Indian-origin goods.

Speculative transfer of title or inventory build-up without a confirmed export order is not permitted.

Under the new structure, the Exporter-on-Record ("**EOR**") assumes a more substantive role in the export transaction. Once a confirmed overseas order is received, it may procure the relevant goods from the domestic seller, make payment within the prescribed timeline, undertake the export in its own capacity, manage the overseas customer relationship and bear responsibility for any reverse logistics arising from returned or rejected consignments. The new framework addresses that gap for goods manufactured and/or produced in India, without opening the domestic market to foreign-invested inventory-led e-commerce.

B&P view: The significance of the amendment lies in what it does not do. It does not generally liberalise inventory-based e-commerce; it creates a transaction-linked export exception. The commercial benefit is that an e-commerce business can now aggregate and execute exports as principal, while the confirmed-order requirement prevents that permission from turning into a general licence to warehouse goods in anticipation of demand.

III. ELIGIBILITY AND CONDITIONS FOR HOLDING EXPORT INVENTORY

The permission to hold inventory is narrow and conditional. Four requirements define the boundary of the new model:

ELIGIBILITY

The Four Gates to Holding Export Inventory

01 EXPORT-ONLY OPERATIONS

An e-commerce entity, other than a marketplace e-commerce entity as defined under the Consolidated FDI Policy, may undertake export-only inventory operations through an EOR registered under the Framework.

02 GOODS OF INDIAN ORIGIN

Only goods of Indian origin are eligible. The SOR is responsible for ensuring and declaring the correct origin in accordance with applicable laws and the relevant origin criteria.

03 INELIGIBLE GOODS

DGFT may notify a list of ineligible goods from time to time.

04 CONFIRMED EXPORT ORDER

Title may pass from the SOR to the EOR only against a confirmed export order from a buyer outside India. Speculative transfer of title or inventory build-up without such an order is not permitted.

B&P View : The separate EOR requirement creates a clearer ring-fence between export inventory operations and other e-commerce activities within the group. The confirmed-export-order condition is the principal boundary on the new inventory model. The EOR may hold goods exclusively for export, but title cannot move to the EOR in anticipation of future demand

IV. KEY OPERATING CONDITIONS

Once the EOR acquires goods against a confirmed overseas order, the Framework imposes a series of operational conditions governing payment, inventory management, export benefits and returns.

7-DAY SELLER PAYMENT

The EOR must pay the SOR upon acceptance or deemed acceptance, and in any event within 7 days. Payment cannot be delayed because the overseas buyer has not paid or has returned the goods.

INVENTORY SEGREGATION

Export inventory must be separately identified, maintained and digitally traceable. Manner, form and standards to be prescribed under the Handbook of Procedures.

EXPORT BENEFITS (ERR)

The EOR may claim eligible Export Rebates and Refunds. Claimed ERR must be apportioned among relevant SORs in proportion to FOB value, less an administrative charge retained by the EOR.

REVERSE LOGISTICS

The EOR owns and manages reverse logistics for returned or rejected consignments and bears the associated costs.

NO DOMESTIC RESALE

Returned or rejected consignments cannot, under any circumstances, be sold or supplied in the domestic market by the EOR, directly or indirectly.

ECEH UTILISATION

To the extent practicable, EORs are to use notified E-Commerce Export Hub infrastructure, subject to operational readiness and capacity.

B&P view : The commercial risk allocation is deliberate. The EOR takes working-capital risk, overseas buyer payment risk and reverse-logistics risk, while the SOR receives a time-bound payment obligation and a proportionate pass-through of claimed export benefits. This makes the EOR a substantive export principal rather than a passive marketplace intermediary.

The absolute bar on domestic resale of returned export stock is a bright-line rule with no stated exceptions. Operationally, EORs will need robust reverse-logistics and inventory-tagging systems (digital repository) to demonstrate compliance.

V. ANALYSIS

PROS

No backdoor for speculative stock-holding

By tying title transfer to a confirmed order, it prevents the inventory model from becoming a backdoor for e-commerce entities to stockpile and warehouse goods for speculative resale, which would blur the line with a marketplace or, worse, an inventory-led domestic e-commerce model.

Limits inventory risk-taking

The confirmed-order condition materially limits inventory risk-taking and is designed to prevent an export exception from becoming a general stock-holding permission.

7-day payment mandate

The 7-day, non-contingent payment mandate materially de-risks working capital for MSME manufacturers and artisans selling through export-focused e-commerce channels.

Pro rata pass-through

Pro rata pass-through of export incentives ensures domestic sellers share in scheme benefits earned on the back of their goods.

Systems as the control

Digital segregation and traceability make the EOR's books and systems—not merely contractual labels: a central compliance control.

CONSIDERATIONS

Group structuring & disclosure

Group structuring should reflect the separate-legal-entity requirement and the disclosure of shareholding and ownership/control relationships at EOR registration.

Product eligibility

Product eligibility remains subject to any list of ineligible goods that may be notified by DGFT from time to time.

Uncapped administrative charge

The administrative charge the EOR may retain from ERR is uncapped under the Notification; sellers will want this transparently disclosed and contractually bounded.

Pass-through depends on ERR filing

Pass-through is contingent on the EOR actually filing the ERR claim — sellers have no independent enforcement trigger if the EOR delays or omits the claim.

Systems & traceability

Systems should prevent any mixing of export-designated stock with domestic inventory and preserve order-to-procurement-to-shipping-bill traceability.

Commercial agreements

Commercial agreements between the EOR and SOR should address acceptance/deemed acceptance, the 7-day payment trigger, ERR allocation, administrative charges, returns and origin representations.

VI. CONCLUSION

The 2026 framework introduces a new policy lane between the traditional marketplace model and the prohibited domestic inventory model: an export-only inventory structure tied to confirmed overseas demand. It gives export-focused e-commerce businesses greater control over procurement and execution, while protecting domestic sellers through time-bound payment and benefit-sharing mechanisms.

That said, the framework is intentionally conditional. Its practical success will depend on the detailed standards prescribed under the Handbook of Procedures and on how effectively businesses integrate the new Foreign Trade Policy requirements with their customs, Goods and Services Tax and foreign direct investment compliance. The policy direction, however, is clear that inventory ownership is being permitted where it is demonstrably linked to exports, digitally traceable and insulated from the domestic market.