

**GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

**LOK SABHA**

**UNSTARRED QUESTION NO. 2647.  
TO BE ANSWERED ON MONDAY, THE 12<sup>TH</sup> MARCH, 2018.**

**FDI IN SINGLE-BRAND RETAIL TRADING**

**2647. SHRI C.N. JAYADEVAN:  
SHRI HARISH MEENA:  
SHRI SHIVKUMAR UDASI:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

**वाणिज्य एवं उद्योग मंत्री**

- (a) whether the Government has allowed Foreign Direct Investment (FDI) in Single Brand Retail Trading under the automatic route, accompanied by the long sought relaxation of mandatory local sourcing norms;
- (b) if so, the details thereof along with its likely impact on the economy of the country;
- (c) whether the domestic small traders have expressed their concern against this decision of the Government; and
- (d) if so, the reaction of the Government thereto along with the corrective steps taken by the Government to protect the interest of domestic retailers/ traders?

**ANSWER**

**वाणिज्य एवं उद्योग मंत्रालय में राज्यमंत्री (श्री सी.आर. चौधरी)  
THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY  
(SHRI C.R. CHAUDHARY)**

- (a) & (b):** As per the FDI policy, 100% FDI in Single Brand Retail Trading (SBRT) was allowed under the Government approval route with FDI upto 49% being allowed under automatic route. Now, vide Press Note No. 1(2018 Series) issued on 23rd January, 2018, the FDI policy provisions regarding SBRT have been amended to allow 100% FDI under automatic route. The condition prescribed for this sector for mandatory local sourcing norms is still applicable for investee entities undertaking SBRT with a slight modification to the extent that for the first 5 year period from the date of opening of the first store, the year-on-year incremental sourcing from India by group companies for the particular

brand shall also be counted towards the compliance of 30% local sourcing condition. After completion of this 5-year period, the SBRT entity is required to meet the 30% local sourcing norms directly towards its India's operation on an annual basis, as was the case earlier. Revised policy for FDI in SBRT is at Annexure.

This modification is expected to encourage additional sourcing and exports from India. Amendments in the FDI policy are made with a view to liberalise and simplify the FDI policy, so as to provide ease of doing business in the country leading to larger FDI inflows.

**(c) & (d):** A representation dated 05.03.2018 has been received from Confederation of All India Traders, wherein decision to allow 100% FDI in SBRT has been opposed. FDI policy on SBRT has been in operation since 2006 when 51% FDI was permitted under Government approval route. Thereafter, in 2012, FDI limit for the sector was raised to 100%, under approval route. Thus, 100% FDI in SBRT has been in force since 2012. In 2013, the policy was further revised to permit 49% FDI under automatic route and FDI beyond 49% and up to 100% under Government approval route.

FDI Policy on different sectors is formulated/ reviewed in a calibrated manner after intensive consultations with stakeholders including Ministries/ Departments concerned, apex industry chambers and other organizations.

As the FDI policy in the SBRT sector has gradually evolved over the years and there are now well established and clear provisions laid down in the policy on SBRT, 100% FDI has now been permitted through automatic route, subject to compliance of conditions prescribed for this sector, which are enumerated in the Annexure.

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## ANNEXURE

### ANNEXURE REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO. 2647 FOR ANSWER ON 12th MARCH, 2018.

#### Single Brand Product Retail Trading

Sector/Activity	% of Equity/ FDI Cap	Entry Route
<b>Single Brand product retail trading</b>	100%	Automatic
<p>(1) Foreign Investment in Single Brand product retail trading is aimed at attracting investments in production and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.</p> <p>(2) FDI in Single Brand product retail trading would be subject to the following conditions:</p> <ul style="list-style-type: none"> <li>(a) Products to be sold should be of a 'Single Brand' only.</li> <li>(b) Products should be sold under the same brand internationally i.e. products should be sold under the same brand in one or more countries other than India.</li> <li>(c) 'Single Brand' product-retail trading would cover only products which are branded during manufacturing.</li> <li>(d) A non-resident entity or entities, whether owner of the brand or otherwise, shall be permitted to undertake 'single brand' product retail trading in the country for the specific brand, either directly by the brand owner or through a legally tenable agreement executed between the Indian entity undertaking single brand retail trading and the brand owner.</li> <li>(e) In respect of proposals involving foreign investment beyond 51%, sourcing of 30% of the value of goods purchased, will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company will be required to maintain. This procurement requirement would have to be met, in the first instance, as an average of five years' total value of the goods purchased, beginning 1<sup>st</sup> April of the year of the commencement of the business i.e. opening of the first store. Thereafter, it would have to be met on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company, incorporated in India, which is the recipient of foreign investment for the purpose of carrying out single-brand product retail trading.</li> <li>(f) Subject to the conditions mentioned in this Para, a single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.</li> </ul>		

- (g) Single brand retail trading entity would be permitted to set off its incremental sourcing of goods from India for global operations during initial 5 years, beginning 1<sup>st</sup> April of the year of the opening of first store, against the mandatory sourcing requirement of 30% of purchases from India. For this purpose, incremental sourcing will mean the increase in terms of value of such global sourcing from India for that single brand (in INR terms) in a particular financial year from India over the preceding financial year, by the non-resident entities undertaking single brand retail trading, either directly or through their group companies. After completion of this 5 years period, the SBRT entity shall be required to meet the 30% sourcing norms directly towards its India's operation, on an annual basis.

**Note:**

(i) Conditions mentioned at Para 5.2.15.3 (2) (b) & 5.2.15.3 (2) (d) will not be applicable for undertaking SBRT of Indian brands.

(ii) Indian brands should be owned and controlled by resident Indian citizens and/or companies which are owned and controlled by resident Indian citizens.

(iii) Sourcing norms will not be applicable up to three years from commencement of the business i.e. opening of the first store for entities undertaking single brand retail trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible. Thereafter, provisions of Para 5.2.15.3 (2) (e) will be applicable. A Committee under the Chairmanship of Secretary, DIPP, with representatives from NITI Aayog, concerned Administrative Ministry and independent technical expert(s) on the subject will examine the claim of applicants on the issue of the products being in the nature of 'state-of-art' and 'cutting-edge' technology where local sourcing is not possible and give recommendations for such relaxation.

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