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The government relaxes FDI norms, makes it easier for foreign retailers to invest in India

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By **Guest** | May 12, 2017



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> WordPress post #6114

The government had in 2016 allowed overseas retailers to sell food products manufactured locally but they lobbied to be allowed to carry more items of daily use in order to make such outlets more viable.

The government is weighing further relaxing foreign direct investment (FDI) rules in the retailing of food products, to make it even easier for top foreign retailers to invest in India. The move comes after several global retailers such as Walmart, Tesco, Metro Cash and Carry and Auchan Group conveyed to the government their willingness to set up shop here provided the rules are relaxed to add more items to the shelves, said a senior government official. Even a Brazilian retailer is learnt to be exploring opportunities to invest in India with a local partner.

Although these retailers haven’t submitted details of investments that may make in India, the food processing ministry believes potential investments could be as much as $5-10 billion if rules are suitably relaxed. According to the food processing ministry proposal, if a foreign retailer invests, say, 20% of its total FDI in setting up infrastructure at the farm-gate level, it would be allowed to sell locally-produced non-food items worth 5% of the total FDI, along with the food items that must have been manufactured in the country.

So, after initial reluctance, the government is discussing the possibility of adding some related items such as kitchenware and even beauty products to the list of food products for retailing to boost footfall at supermarkets, said another official. Discussions on allowing more items have started. But no decision has been taken on this matter so far, he added.

The food processing ministry has been pitching for allowing more items to be sold, along with food products, to make it more attractive for investors. It also wanted a portion of the proposed investments to be committed for creating farm infrastructure to benefit farmers.

Recently, e-commerce players Amazon, Big Basket and Grofers applied for approval for retailing locally-produced food products, promising a combined investment of $695 million. Although a final approval by the government is expected soon, the food processing ministry—the administrative ministry in this case—has endorsed the proposals, setting the stage for the first

lot of investments to flow in since the government tweaked FDI rules for the sector last year.

Already, the food processing sector has started to see a jump in foreign investments. FDI inflows (in equity) in the sector touched $663.20 million in the April-January period, which were much higher than those of $506 million in the entire 2015-16 fiscal.

The decision to allow 100% FDI in marketing of locally-produced food items was important as food and farm items worth Rs 92,651 crore go waste annually in India due to a low level of processing and inadequate infrastructure for scientific storage.

The Narendra Modi government has already announced two big rounds of relaxations in the FDI regime, first in November 2015 and then in June last year, easing rules in over a dozen sectors ranging from real estate, pharmaceuticals, food marketing, aviation, defence to e-commerce and banking.

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