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HC asks RBI to submit circulars on e-commerce FDI

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By: [FE Bureau](#) | New Delhi | Published: January 26, 2016 1:20 AM

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The [Delhi High Court](#) on Monday asked the Reserve Bank of India (RBI) to submit its latest circulars on foreign direct investment (FDI) policy for e-commerce sites, after a public interest litigation (PIL) sought a direction to the Centre to probe all such transactions in e-commerce recipient companies.

The PIL filed by Dinesh Kothari, a chartered accountant, and Amulya Nidhi, a human rights activist, alleged Foreign Exchange Management Act, 1999 (Fema) violations by all e-commerce sites. It also sought a direction to all FDI recipient retail business entities to submit details of transactions by them and their sister concerns within a particular time frame, failing which the operations of such FDI recipients be stopped.

The PIL has made ministries of finance and corporate affairs, the department of industrial policy and promotion under the commerce ministry and the RBI governor as parties. The matter will be further heard on February 24.

A probe against 21 companies is already on as directed by the high court in November last year on a petition by the All India Footwear Manufacturers and Retailers

Association wanting investigations into the affairs of various e-commerce websites for alleged violation of FDI rules. 

While India bars FDI in e-commerce firms that sell products directly to consumers, foreign companies are allowed to operate online marketplaces that offer a platform for sale of global brands, putting them at a disadvantage.

Over the past few years, retailers have repeatedly asked the government to create a simple FDI policy without segregation by brands and channels. Major e-commerce players such as [Flipkart](#), [Snapdeal](#) and [Amazon.in](#) have made good inroads into the country's retailing business by offering huge discounts, which impacted sales of brick-and-mortar retailers.

Pointing to various "violations indulged in by ecommerce sites through various mechanisms directly or indirectly or even clandestinely with their closely held business entities", the PIL said the issue was raised number of times in both the Houses of Parliament in 2012, 2013 and 2015 and the Directorate of Enforcement had started investigation in 2012, but the investigations are not yet complete. "... these companies are owned by private equity investors, who are not worried of bottom-line (profit) but more concerned with top-line growth," Kothari said.

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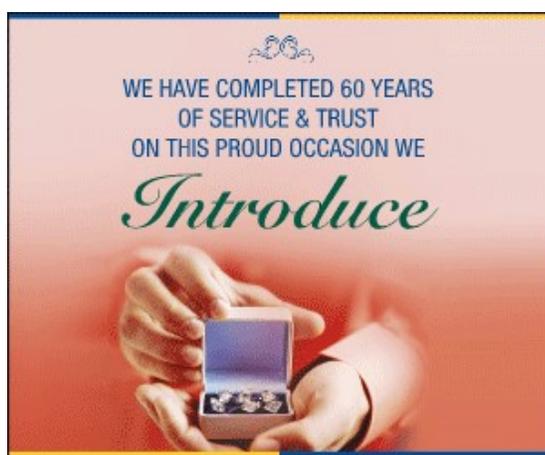
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