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DPIIT ISSUES REVISED SOP FOR PROCESSING FDI PROPOSALS

The Department for Promotion of Industry and Internal Trade ("**DPIIT**"), Ministry of Commerce & Industry, has, on May 4 2026, issued a revised Standard Operating Procedure ("**Revised SOP**") for the processing of Foreign Direct Investment ("**FDI**") proposals to streamline and digitize the approval framework and strengthen institutional oversight for proposals requiring prior government approval under India's FDI regime. The Revised SOP updates the framework governing FDI applications requiring prior Government approval under the Consolidated FDI Policy dated October 15, 2020 ("**FDI Policy**"), and the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, as amended from time to time.

The key features of the Revised SOP are set out below:

I. Online and Paperless Filing

All FDI proposals requiring Government approval must be filed online through the Foreign Investment Facilitation ("**FIF**")/National Single Window System ("**NSWS**") portal. A significant feature of the Revised SOP is that the filing process has been made completely paperless, and applicants are required to digitally upload the FDI application along with relevant documents (*more specifically detailed in Annexure-1 of the Revised SOP*) with disclosures relating to ownership structure, beneficial ownership, downstream investments, sanctions etc.

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The Revised SOP further clarifies that Competent Authorities shall not replicate inter-ministerial approval mechanisms within Ministries or Departments and that the approval regime should be simpler to execute and more expeditious.

II. Procedure for Processing of Applications

Upon receipt of an online proposal, DPIIT shall identify the concerned Administrative Ministry or Department ("**Competent Authority**") and assign the proposal to it within the timelines prescribed under Annexure-V of the Revised SOP, and simultaneously circulate each proposal online to:

- the Reserve Bank of India ("**RBI**") for comments under the Foreign Exchange Management Act, 1999 ("**FEMA**") and the rules and regulations framed thereunder;
- the Ministry of Home Affairs ("**MHA**"), for proposals requiring security clearance; and
- the Ministry of External Affairs, which shall provide comments/clearance for investments from countries sharing a land border with India.

The SOP further stipulates that the designated Competent Authorities shall also be responsible for processing applications seeking post-facto approval under Paragraph 4.1.2 of the FDI Policy, in circumstances where the relevant

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sector or activity is currently under the automatic route but required prior government approval at the time the foreign investment was originally made.

For proposals involving total foreign equity inflow above the limit prescribed under Para 4.1.5 of Chapter 4 of the FDI Policy, the Competent Authority shall place the matter before the Cabinet Committee on Economic Affairs ("**CCEA**") within the prescribed timeline, and the decision of CCEA shall thereafter be conveyed to the applicant.

III. Proposals requiring clearance from MHA

The following categories of proposals shall mandatorily require security clearance from MHA, as per the extant FDI Policy:

- Investments in broadcasting, telecommunications, space, private security agencies, defence, civil aviation, mining and mineral separation of titanium-bearing minerals and ores, its value addition and integrated activities; and
- Applications falling under the purview of Press Note 2 of 2026 dated March 15, 2026 ("**Press No.2**"), and the Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2026 dated May 1, 2026.

IV. Processing Timelines

The Revised SOP prescribes that FDI proposals must be

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processed by the Competent Authority within a cumulative period of 12 weeks. An extra 2 weeks are allocated to DPIIT for proposals that are either recommended for rejection or where additional conditions are proposed. The prescribed timelines do not include delays attributable to applicants, such as time taken to rectify deficiencies or provide additional information requested by the Competent Authority.

V. Closure, Rejection and Withdrawal

The Competent Authority must review applications within 1 week of filing, and if required information is not provided within 7 days of a reminder the application may be closed, without such closure amounting to a rejection and allowing the applicant to re-apply with all requisite documents.

The Competent Authority must compulsorily seek the concurrence of DPIIT (with the approval of the Secretary concerned) before rejecting a proposal or imposing any conditions in addition to those stipulated in the FDI Policy or sectoral laws or regulations. However, DPIIT's concurrence is not required for conditions relating to compounding under FEMA provisions or compliance with applicable laws or court orders.

Applicants may withdraw pending proposals by submitting an authorised withdrawal letter, or surrender existing approval letters through a signed declaration, with the concerned Ministry/Department issuing an acknowledgement confirming the effective date of withdrawal.

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VI. Guidelines for Investments from Countries Sharing Land Border with India

- **Reporting Guidelines:** The Revised SOP integrates the guidelines introduced through Press No.2 relating to investments originating from land border countries (“LBCs”). Under Paragraph 3.1.1(d) of the FDI Policy, any investment involving direct or indirect ownership by entities linked to LBCs must be reported, even in cases where prior government approval is not otherwise mandated. In addition, the SOP establishes reporting requirements tied to beneficial ownership thresholds, as defined under Section 2(fa) of the Prevention of Money Laundering Act, 2002 and Rule 9(3) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. Such disclosures are required to be made before the inward remittance of funds or the execution of the relevant transaction, in cases which do not involve foreign capital inward remittances.
- **Expedited 60-Day Approval Route:** The Revised SOP also introduces an expedited 60-day approval mechanism for certain LBC-linked investments in strategic sectors, including electronics manufacturing, advanced battery components, semiconductors, rare earth processing, and heavy electrical equipment. This fast-track process is subject to specific conditions, notably that aggregate LBC

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shareholding must not exceed 49% of the capital or voting rights of the Indian investee entity, and that majority ownership and control must remain with resident Indian citizens and/or Indian entities owned and controlled by resident Indian citizens.

VII. Compounding of Contraventions

The Revised SOP additionally states that contraventions of FDI regulations are subject to penal provisions and may be compounded in accordance with Section 15 of the FEMA, the Foreign Exchange (Compounding Proceedings) Rules, 2000 and the RBI Master Directions on Compounding of Contraventions under FEMA.

VIII. Monitoring And Review

The Revised SOP mandates the following institutional oversight measures:

- Each Ministry or Department shall have a dedicated FDI Cell with a nodal officer not below the rank of Joint Secretary; and
- shall convene regular review meetings with the concerned Administrative Ministries or Departments to monitor the pendency of FDI proposals, at intervals of every 4 to 6 weeks.

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