Firstpost.

Restaurants in dilemma after govt makes changes in FDI norms for e-commerce firms, seek clarification

FP Staff Jan 31, 2019

With the government tightening norms for e-commerce firms like Flipkart and Amazon, restaurants' national body sought clarification from the government if online food delivery entities like Zomato, Swiggy, Foodpanda and UberEats are covered by the policy on foreign direct investment (FDI) in e-commerce, said media reports.

The National Restaurant Association of India (NRAI), which represents over 1,00,000 eateries, had approached the Department of Industrial Policy and Promotion (DIPP) early this month seeking clarity if online food companies should comply with the FDI guidelines, which prohibit them from influencing prices and operating inventory-based models, including their own kitchens, said a report in *The Economic Times*.

"As the restaurant sector comprises lakhs of small businesses run by entrepreneurs and families, their interests need to be kept in mind. The policy should provide a fair and non-discriminatory framework," NRAI president Rahul Singh was quoted as saying by *The Economic Times.*

In July 2018, the Food Safety and Standards Authority of India (FSSAI) had said that the e-commerce food companies would have to obtain a licence for their entire supply chain besides ensuring that delivery of products is done by 'trained personnel' in order to maintain safety under the new guidelines, said a *PTI* report.

With an aim to regulate e-commerce food business, FSSAI defined e-commerce Food Business Operators (FBOs) as those carrying out business through online medium.

In December 2018, the government took a host of steps and barred e-commerce firms from selling products of the companies in which they have a stake. The commerce and industry ministry also prohibited e-commerce companies from entering into an agreement for the exclusive sale of products.

"An entity having equity participation by e-commerce marketplace entity or its group companies, or having control on its inventory by e-commerce marketplace entity or its group companies, will not be permitted to sell its products on the platform run by such marketplace entity," the ministry said.

Besides, the revised policy on foreign direct investment in online retail firms said that services should be provided by e-commerce marketplace entity or other firms in which e-retail company has direct or indirect equity participation or common control to vendors on the platform at arm's length and in a fair and non-discriminatory manner.

Early this month, Amazon and Walmart-owned Flipkart sought an extension of the 1 February deadline for complying with the revised FDI norms in e-commerce, stating that they need more time to understand the details of the framework. These norms - which are effective 1 February - are likely to hit Amazon and Flipkart, the hardest.

On 29 January, Walmart Inc’s online retailer Flipkart told the Indian government that the company faced the risk of “significant customer disruption” if the implementation of new curbs for e-commerce is not delayed by six months, reported *Reuters*.

In a letter to India’s industries department earlier this month, Flipkart chief executive Kalyan Krishnamurthy said the rules required the company to assess “all elements” of its business operations, according to a person privy to the communication.