



## **STANDARD OPERATING PROCEDURE (SOP) FOR PROCESSING FOREIGN DIRECT INVESTMENT (FDI) PROPOSALS, 2026**

In 2026, the Union Cabinet of Government of India announced changes to Press Note 3 (2020 Series) (“**Press Note 3**”), pursuant to which the Department for Promotion of Industry and Internal Trade (“**DPIIT**”) released the Press Note 2 (2026 Series) (“**Press Note 2**”), marking a significant change in the regulatory framework governing Foreign Direct Investment (“**FDI**”) from countries sharing land borders with India. This amendment revisits Paragraph 3.1.1 of the Consolidated FDI Policy, 2020, which had been earlier modified through Press Note 3 during the COVID-19 pandemic.

Pursuant to the Press Note 3, the DPIIT had issued a Standard Operating Procedure (“**SOP**”) in 2023 (“**2023 SOP**”) to establish a structured, transparent, and time-bound mechanism for processing FDI proposals requiring Government approval under the Consolidated FDI Policy and the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019. The 2023 SOP streamlined the approval process through the National Single Window System (“**NSWS**”) portal by prescribing indicative timelines for inter-ministerial consultations and formalising security clearance procedures for applications under Press Note 3.

The DPIIT has now issued a revised SOP dated 4 May 2026 (“**2026 SOP**”) pursuant to Press Note 2 and the Foreign Exchange Management (Non-Debt Instruments) (Amendment) Rules, 2026. While the overall procedural structure remains broadly aligned with the 2023 SOP, the 2026 SOP introduces several significant enhancements. These includes the implementation of greater clarity on approval timelines, and the introduction of a separate Annexure VII prescribing an expedited approval timeline of 60 days for specified sectors. This accelerated timeline overrides the standard approval period of 12 weeks.

The specified sectors covered under 2026 SOP, eligible for expediated approval timeline of 60 days are (a) capital goods manufacturing (b) electronic capital good and electronic component manufacturing (c) polysilicon and ingot wafers (d) advanced battery components (e) rare earth permanent magnets, and (f) rare earth processing. Further, the sub-sectors for each sector is detailed in the 2026 SOP. This reflects a calibrated policy approach aimed at furthering the ease of doing business objectives aligned with India’s broader industrial and manufacturing objectives.

Overall, the 2026 SOP marks a significant evolution of India’s FDI approval framework. By emphasising digitisation, procedural clarity, and adherence to timelines, the revised framework seeks to further improve the ease of doing business in India. At the same time, it reflects India’s broader regulatory shift toward a more sophisticated, security-sensitive, and data-driven foreign investment regime, particularly in relation to investments originating from countries sharing land borders with India.



*This update is only for general informational purposes and shall not be construed to constitute legal advice (which can only be given after being formally engaged and familiarizing ourselves with all the relevant facts). Should you have any queries, or require any assistance or clarifications with regard to anything contained in this newsletter, please feel free to contact our partner, Mr. Pradnesh Warke*

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