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03rd December, 2019

**Shri Narendra Modi
Hon'ble Prime Minister
Government of India
New Delhi**

Respected Pradhanmantri Ji,

Subject : E Commerce Companies : Violation of FDI Policy & unfair business practices.

We appreciate various steps taken by the Government under your visionary leadership for ensuring substantial structured growth of retail trade of India which is second largest employment generating sector in the Country after agriculture. Almost about 7 crore traders across Country are providing employment to about 40 crore people.

We are of the considered view that digitalisation of traders is the need of the hour and E Commerce is fast growing future mode of business in the Country and alignment of traders with e commerce will be a major step in achieving the target of 5 trillion economy by 2024.

However, we are deeply pained to observe that e commerce market of the Country has been greatly vitiated by some of major e commerce companies prominently Amazon & Flipkart who are bravely violating the FDI policy of the Government by indulging into all kinds of unethical & unfair business practices by offering deep discounts, indulging into predatory pricing, controlling inventory, having exclusivity of products, maintaining preferential seller system which runs against the mandate of Press Note No.2 of FDI Policy,2016 later amended in 2018.

Most importantly by offering huge discounts, these Companies are causing huge loss of GST revenue to the Government and even after making huge sales, they are registering losses of thousands of crores of rupees every year thereby devouing the Government with huge revenue of Income Tax.

Its a fundamental principle of jurisprudence that law is always supreme and everyone without any discrimination has to obey the law and policy of the Government which has been repeatedly reiterated by Shri Piyush Goyal, Hon'ble Minister for Commerce & Industry in context of e commerce & FDI policy.

However, Inspite of FDI policy in place & repeated firm & strong statement of Hon'ble Shri Piyush Goyal which amply reflects the intent of the Government but both Amazon & Flipkart are bent upon in openly flouting FDI policy without any fear of FDI policy or law.

In support of our contention, we rely upon the following :

a. As per FDI Policy, Marketplace based model of e-commerce means providing of an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller. It is further provided in the policy that Marketplace e-commerce entity will be permitted to enter into transactions with sellers registered on its platform on 828 basis.

However, much contrary to the FDI Policy, the e commerce portals are deeply engaged in B2C Business and the quantum of B2B Business is almost negligible.





b. The policy states that E-commerce entity providing a marketplace will not exercise ownership or control over the inventory i.e. goods purported to be sold. Such an ownership or control over the inventory will render the business into inventory based model.

The pertinent question is that the Sales can be organised only by the owners of inventory and since these companies are not the owners of inventory how can they offer discounts on the products owned by sellers registered on their platform which establish the fact that these Companies hold control over the inventory which is against the FDI Policy.

c. As per FDI policy, E-commerce entities providing marketplace will not directly or indirectly influence the sale price of goods or services and shall maintain level playing field.

By offering deep discounts ranging from 10% to 80% on their e commerce portals, these companies are clearly influencing the prices and create an uneven level playing field which is in direct contravention of the policy.

d. Predatory pricing and deep discounting hurting the Government with huge revenue loss

These e commerce companies are selling goods much below the fair market value of the products by offering deep discounts and thereby charging GST at much lower price rather than the fair market value of the product. By this way, they are causing huge losses of GST revenue to the Government and accordingly they are avoiding to pay proportionate Income Tax as well.

e. E Commerce Companies are running in huge losses since years but still operating business

It is most surprising that these Companies are incurring thousands of crores of rupees losses every year but still continuing their business activities which is much against the basic fundamental of business. It appears that their investors are supporting them in funding the losses and as such it is not a business but a valuation game of the investors & E commerce Companies which is creating and uneven level playing field and unfair competition in the market

We are sure that it will receive your kind attention and you will be pleased to take necessary action.

Thanking you. With kind regards

Yours truly

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