DPIIT Guidelines and Stakeholder Consultation on the Transition Facilitation (Quality Control) Order, 2026

I. INTRODUCTION

The Department for Promotion of Industry and Internal Trade (**DPIIT**), under the Ministry of Commerce and Industry, issued the Transition Facilitation (Quality Control) Order, 2026 (**Transition Order**) on June 25, 2026. Pursuant to the Transition Order, DPIIT subsequently issued a set of guidelines and conducted a stakeholder consultation on July 03, 2026. These developments clarify certain aspects of the operating architecture of the transition facilitation mechanism, including applicant eligibility, documentation requirements, monitoring mechanisms, and the consequences of non-compliance.

The Guidelines confirm that the transition facility is not overall relaxation of the applicable Quality Control Orders (**QCOs**). Instead, it is a permission-based, risk-assessed mechanism available only to an Indian company incorporated under the Companies Act, 2013. The facility enables eligible approved companies to source specified goods from identified manufacturers that may obtain Bureau of Indian Standards (**BIS**) Scheme II registration for supplies to such approved companies, subject to the quantity, product, supplier, and validity limits specified in the permission letter.

The subsequent consultation further clarified several operational aspects that were not expressly addressed under the Transition Order. During the consultation, DPIIT indicated that permissions may ordinarily be granted initially for one year, reviewed annually, and may remain valid for up to three years, subject to renewal and compliance with prescribed milestones. DPIIT also clarified that entitlement is not automatic and will be determined by the Implementation Committee on a case-by-case basis, ordinarily with reference to the applicant's committed investment or proposed installed capacity.

II. SUBSEQUENT DEVELOPMENTS

- **Guidelines for Transition Facilitation (Quality Control) Order, 2026 (Guidelines) -** DPIIT has issued the Guidelines to operationalise the Transition Order. The Guidelines state that the Transition Order establishes an alternative risk-based facilitation mechanism aimed at promoting technology advancement or adoption, enhancing ease of doing business, strengthening supply chain resilience, ensuring continued conformity with applicable Indian Standards, and safeguarding consumer interests.[1] The Guidelines also clarify that the facilitation mechanism is intended to support companies by providing handholding, particularly to those bringing technology, design, and research and development into India.[2]

[1] Para 1.2 of the Guidelines for Transition Facilitation (Quality Control) Order, 2026, Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry (**Guidelines**).
[2] Para 1.2 of the Guidelines.

- **Stakeholder Consultation Conducted on July 03, 2026 -** DPIIT conducted an online stakeholder consultation on July 03, 2026, to explain the Transition Order, the Guidelines, the application framework, eligibility conditions, monitoring requirements, and practical implementation aspects. During the consultation, DPIIT indicated that FAQs or a Q&A document may be prepared after receiving stakeholder queries. Industry participants were requested to submit written comments. Although DPIIT did not prescribe a strict timeline, stakeholders should submit their comments at the earliest to maximise the likelihood that their queries are considered before the FAQs are issued. DPIIT also encouraged eligible stakeholders with a genuine requirement to begin filing applications so that practical implementation issues can be identified and addressed.

III. KEY REQUIREMENTS UNDER THE TRANSITION ORDER

- ***Applicant Must Be an Indian Company.*** The Guidelines confirm that the applicant must be a company incorporated under the Companies Act, 2013.[3] During the stakeholder consultation, DPIIT further clarified that foreign manufacturers, partnership firms, and other entities that do not satisfy this incorporation requirement are not eligible to apply directly. DPIIT also clarified that the foreign manufacturer supplying the goods is distinct from the applicant and may obtain BIS Scheme II registration solely for supplies made to the approved applicant, and only within the scope of the approved products and quantities.
- ***Application Route: NSWS and Physical Filing***. Applications are required to be submitted in the prescribed form through the National Single Window System (**NSWS**) once the facility becomes operational. Until then, applications may be filed physically with the Joint Secretary or Director, DPIIT, in charge of Technical Regulations.[4]
- ***Detailed Product, Quantity, Supplier and ITC-HS Disclosure.*** As per the Guidelines, an applicant is required to disclose the goods or articles for which permission is sought, the applicable Indian Standards, the relevant QCOs, the annual quantity requested, the specific 8-digit Indian Trade Classification - Harmonised System ("**ITC-HS**") codes, and the manufacturing facilities from which the goods will be supplied.[5]
- ***Supply Chain Capability Development***. The Guidelines indicate that applicants proposing to establish supply chain capabilities in India, whether directly or through contract manufacturing arrangements or partnerships, should provide details of activities to be undertaken, capabilities to be developed, proposed locations in India, implementation plans and timelines.[6] The application form also requires disclosure of investment in plant and machinery, proposed installed capacity, project details, investment break-up, technology adoption, design capability or R&D plans, and year-wise milestones.[7]
- ***Imports from related parties recognised.*** The applicant may also source from a manufacturing facility operated by its parent, holding or group company, or from a contract manufacturing facility engaged by such entities, subject to disclosure and documentation requirements.[8]

  In this regard, the Guidelines further indicate that declarations authorised by the board of the relevant parent, holding, or group company are to be submitted confirming the manufacturing credentials or contract manufacturing arrangements. Where the applicant relies on the credentials of its parent, holding, or group company, the application is also required to include additional documentation, including audited financial statements, factory

[3] Para 2.1 of the Guidelines.
[4] Para 2.2 of the Guidelines.
[5] Para 2.3 of the Guidelines.
[6] Para 2.4 of the Guidelines.
[7] Annexure A of the Guidelines.
[8] Para 2.5 of the Guidelines.

registration or an equivalent industrial licence, evidence of technical capability and control over design and manufacturing, and a Board-authorised declaration confirming the relationship with the applicant.[9]

- ***Implementation Committee and Approval Authority.*** The Guidelines prescribe the composition of the Implementation Committee. The committee will be chaired by the Additional Secretary or Joint Secretary, DPIIT, in charge of Technical Regulations, and includes representatives from DPIIT, the Department of Commerce, Directorate General Foreign Trade and BIS.[10] The chair may invite representatives from other ministries, departments or organisations.[11]

  The committee will assess applications under the risk-based framework, interact with applicants, seek clarifications and make recommendations regarding issue of permission letters.[12] The Guidelines also specify that the committee's recommendation will be submitted for approval to the Union Minister of Commerce and Industry.[13]

- ***Permission Letter Conditions.*** The Guidelines indicate that the permission letter may specify the products covered, quantity limits, validity period, implementation milestones, details of the approved manufacturers, and reporting requirements.[14]

  During the consultation, DPIIT clarified that the permission will be limited by the approved quantity, product, supplier, validity period, reporting obligations, and implementation milestones. Any change in the identified suppliers or manufacturers is expected to require the applicant to approach DPIIT or the Implementation Committee for approval.

- ***Market Surveillance, Audit and Compliance Reporting.*** The Guidelines require the applicant to cooperate with market surveillance activities. The applicant must submit an annual compliance report to DPIIT within 60 days of the end of each year, certified by a practising Chartered Accountant, setting out the status of implementation of conditions in the permission letter.[15]

  The applicant must also file details of consignments and declarations regarding grant of BIS licence on a quarterly basis through the prescribed online facility or physically until the online system is available.[16] Permissions are subject to periodic review, and in cases of doubt, a post-audit by a reputed third-party audit agency may be conducted to verify conditions and compliances.[17]

- ***Suspension, Withdrawal and Non-Compliance.*** Permissions will be reviewed annually, including by reference to compliance with standards, surveillance findings and implementation of milestones.[18] Permission may be suspended or withdrawn where material misrepresentation is discovered, the product fails to conform to Indian Standards, surveillance reveals non-compliance, or the applicant fails to implement commitments under plans submitted by it.[19]

CONSEQUENCES OF NON-COMPLIANCE

[9] Para 2.6 of the Guidelines.
[10] Para 3.1 of the Guidelines.
[11] Para 3.2 of the Guidelines.
[12] Para 3.3 of the Guidelines.
[13] Para 5.1 of the Guidelines.
[14] Para 6.1 of the Guidelines.
[15] Para 7.1 of the Guidelines.
[16] Para 7.2 of the Guidelines.
[17] Para 7.3 of the Guidelines.
[18] Para 8.1 of the Guidelines.
[19] Para 8.2 of the Guidelines.

IV. RISK ASSESSMENT FACTORS

The Implementation Committee may consider the following factors while assessing an application[20]:

- Technical capability and demonstrated experience in the relevant product category.
- Quality assurance across the supply chain, including control over design, specifications and production processes.
- Record of conduct and compliance integrity.
- Commitment to establish and strengthen supply chain capabilities in India.
- Technology adoption or advancement, design capability and research and development.
- Compliance with the concerned QCO for a continuous period of three years without default.
- Other public interest considerations, including human, animal or plant health, environmental safety, prevention of unfair trade practices and national security.
- Import-export policy and FDI policy considerations.

During the consultation, DPIIT clarified that the three-year QCO compliance record is a relevant risk assessment factor and may support a low-risk assessment if the applicant is found to be compliant. However, DPIIT also indicated that this is not, by itself, a basis for granting permission, and that the other eligibility and assessment criteria must also be satisfied.

V. MORE CLARIFICATIONS BY DPIIT DURING THE CONSULTATION

- ***Entitlement and Validity.*** DPIIT clarified that grant of permission is not automatic and will be decided by the Implementation Committee on the facts of each application. It will be determined annually as a percentage linked to committed investment or proposed installed capacity, as assessed by the Committee.
- DPIIT indicated that permission may initially be granted for one year and reviewed annually based on the achievement of the committed milestones. DPIIT also indicated that the expected decision timeline may be approximately 20 to 30 days from the date of submission, subject to the completeness of the application and consideration by the Implementation Committee. Further, DPIIT indicated that the transition facility may ordinarily operate for up to three years, subject to renewal and compliance with the prescribed milestones.
- ***Scheme II Registration and Non-Conversion from Scheme I.*** DPIIT clarified that the Transition Order does not supersede existing QCOs and does not dilute the requirement that goods conform to applicable Indian Standards. The Order changes the permitted conformity assessment route for approved cases, not the substantive product standard.
- DPIIT further clarified that there will be no automatic transition from Scheme I to Scheme II. Existing licences granted under Scheme I will not be converted to Scheme II registrations, and applicants who have already initiated or filed applications under Scheme I will not be automatically shifted to Scheme II. Scheme II registration may be availed only by complying with the Transition Order and obtaining permission under the prescribed mechanism, following which a fresh application under Scheme II may be made.

[20] Para 4.1 of the Guidelines.

- ***Manufacturing, Value Addition and Assembly Concerns.*** During the consultation, stakeholders raised concerns that the requirement for applicants to develop supply chain capabilities in India should encourage genuine manufacturing investment rather than the mere assembly of imported components. DPIIT responded that the objective of the mechanism is to support actual manufacturing and not trading or nominal assembly. DPIIT further indicated that the definition of "manufacturing" will be as provided under the GST Act, and that investments and implementation milestones will be verified through the annual renewal and review process.
- ***Country-Specific and Policy Considerations.*** DPIIT clarified that country-specific considerations, including Press Note 3-related issues and related matters, may form part of the risk assessment and may be considered by the Implementation Committee before a recommendation is placed before the competent authority.

VI. PRACTICAL IMPLICATIONS FOR INDUSTRY

- ***Product and Standards Mapping.*** Companies should first map the products for which transition facilitation may be required against the specified QCOs, applicable Indian Standards and 8-digit ITC-HS codes. This should be done before preparing the application, as the permission is expected to be product-specific and quantity-specific.
- ***Applicant Eligibility.*** Companies should assess at the outset whether the proposed applicant is an Indian company incorporated under the Companies Act, 2013. Where the supply chain involves a foreign manufacturer, group company or contract manufacturer, the Indian applicant should identify the correct basis for the application and ensure that the supporting documents are available.
- ***Permission applications will require significant preparation.*** Companies should prepare the application carefully before filing. Key information will include the products, applicable Indian Standards, 8-digit ITC-HS codes, proposed suppliers, annual quantities, investment plans, proposed capacity, milestones and supporting Board approvals where required.
- ***Supplier planning will be significant.*** Since the permission may identify the approved manufacturers, any subsequent change in suppliers may require approval from DPIIT or the Implementation Committee. Where possible, companies should identify suitable suppliers at the application stage and ensure that such suppliers are prepared to seek BIS Scheme II registration.
- ***Permissions will be limited in scope.*** Permissions are expected to be specific to the products, quantities, suppliers, validity period, and conditions approved by DPIIT. Foreign manufacturers with a large number of customers in India should therefore carefully assess whether to continue under Scheme I or opt for this mechanism, as a licence granted under Scheme I permits supplies to any customer in India, whereas permission under the Transition Order is limited to the approved applicant and the approved scope.
- ***Milestone compliance will affect renewal.*** The mechanism links continued facilitation to the implementation of the committed milestones. Companies should avoid overcommitting on investment, capacity, localisation, technology adoption, or research and development timelines unless there is internal implementation certainty and supporting documentation.
- ***Scheme II does not eliminate product quality exposure.*** The facility does not reduce the substantive obligation to conform to Indian Standards. Market surveillance, annual review, and the possibility of suspension or withdrawal under the BIS framework create ongoing exposure for both applicants and suppliers.
- ***Contracts and Compliance Controls.*** Companies should review procurement arrangements to cover Scheme II registration, conformity with Indian Standards, cooperation in market surveillance, reporting support and consequences of suspension or withdrawal of permission. They should also put in place internal controls for quarterly consignment reporting and annual Chartered Accountant-certified compliance reporting.
- ***Continued Monitoring.*** Companies should monitor DPIIT FAQs, NSWS operationalisation and any sector-specific guidance or clarifications. This will be important for assessing filing timelines, supplier changes, entitlement, renewal and any additional documentation that DPIIT or BIS may require.

VII. CONCLUSION

The Guidelines and stakeholder consultation substantially advance the operational framework for the Transition Order. They confirm that the mechanism is selective, conditional, documentation-driven and subject to continuing review. Industry should treat the facility as a structured permission route requiring early preparation, robust documentation and ongoing compliance controls, rather than as an automatic exemption from QCO requirements.

Companies seeking to use the mechanism should move promptly to assess eligibility, identify suppliers, prepare Board-approved plans, map products and standards, and develop contractual and compliance controls before filing. Given the 24-month application window and the expected annual review structure, early and well-documented applications are likely to be better placed for Committee assessment and subsequent renewal.

ELP COMMENTS

The Transition Order is a useful development in India's QCO framework, particularly for sectors facing practical challenges relating to supply continuity, testing capacity, and Scheme I certification timelines. The mechanism provides a limited Scheme II-based route for approved cases, while retaining the core requirement that goods conform to the applicable Indian Standards.

The Guidelines and the stakeholder consultation make it clear that this is not a general exemption from QCO compliance. The facility is available only with DPIIT permission and is expected to be limited by the approved product, quantity, supplier, validity period, and implementation milestones. It is intended to assist companies working towards establishing manufacturing or supply chain capabilities in India while providing a transitional route to manage procurement during that period.

At the same time, the framework introduces assessment factors beyond product conformity, including investment plans, technology adoption, design capability, research and development, domestic supply chain development, compliance history, and broader public interest considerations. While these factors are consistent with the objective of the transition mechanism, they also make the permission process more discretionary than a conventional standards-based certification route.

The key consideration for industry will be predictability. DPIIT has clarified several important aspects, including the applicant eligibility requirement, contract manufacturing arrangements, annual review, reporting obligations, and the consequences of non-compliance. However, further clarity would be helpful on entitlement calculations, supplier changes, milestone assessment, treatment of domestic capacity, and the manner in which public interest or country-specific considerations will be applied.

The issuance of FAQs or sector-specific clarifications would provide greater certainty to applicants in planning their supply arrangements, investment plans, and compliance processes while continuing to ensure conformity with applicable Indian Standards and consumer protection.

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com or write to our authors:

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