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Walmart Faces Pressure After Myntra Financial Probe in India

July 24, 2025

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Walmart Inc. (NYSE: WMT) is facing renewed scrutiny as its stock wavered following a financial crime investigation into its Indian fashion arm, Myntra Designs Pvt. Ltd. India’s financial enforcement agency is examining alleged violations of foreign investment rules, raising concerns about compliance and regulatory clarity in one of the world’s fastest-growing markets.

The probe, launched by India's Enforcement Directorate (ED), centers on Myntra's classification as a wholesale business while allegedly conducting multi-brand retail trading. The agency claims that Myntra, owned by Walmart-backed Flipkart, received approximately \$192 million in foreign investment while functioning beyond the scope of permitted wholesale activity. Indian law prohibits foreign-owned wholesale entities from selling directly to consumers. The ED asserted Myntra "was carrying out multi-brand retail trading in the guise of wholesale cash & carry," raising legal red flags over how foreign capital is deployed in the domestic retail sector.

The case once again places e-commerce regulations in India under the spotlight. Current rules allow foreign companies like Flipkart and Amazon.com Inc. (NASDAQ: AMZN) to operate online marketplaces but prohibit direct inventory-based sales. The aim is to safeguard local businesses from being crowded out by foreign capital with unfair competitive advantages. Allegations of regulatory overreach by global firms have long drawn criticism from small traders and lawmakers concerned about sovereignty in retail infrastructure.

Walmart acquired a controlling stake in Flipkart in 2018 for \$16 billion, eyeing long-term growth in India's massive consumer market. Myntra, a subsidiary of Flipkart, generated revenues close to \$600 million in the 2023–24 fiscal year, representing a 15% growth over the previous year. The company maintains that it complies with all local laws and is cooperating fully with authorities.

The probe's timing is notable, coinciding with broader U.S.-India trade negotiations. Reports suggest foreign direct investment (FDI) restrictions on retail may form part of bilateral discussions, with Washington interested in securing fairer access for American businesses. As India's e-commerce market is projected to triple from \$125 billion in 2024 to \$345 billion by 2030, navigating these regulatory headwinds will be critical for foreign investors.

Despite the investigation, Wall Street analysts remain optimistic. According to data from TipRanks, Walmart holds a "Strong Buy" consensus, with a price target suggesting over 16% upside from current levels. However, continued legal uncertainty could weigh on investor sentiment if not addressed through meaningful reform or clearer policy frameworks.

In a climate where rule of law and business predictability are increasingly important for global firms, Walmart's experience in India may serve as a cautionary example of the complexities that come with cross-border expansion even in high-potential markets.

