

Government of India
(Bharat Sarkar)
Ministry of Defence
(Raksha Mantralaya)
Department of Defence Production
(Raksha Utpadan Vibhag)

NOTIFICATION

New Delhi, the 8th Mar 2019

No.1(18)/02/Indigenization/DP(PIg-ES)/818 POLICY FOR INDIGENIZATION OF COMPONENTS AND SPARES USED IN DEFENCE PLATFORMS FOR DPSUs/OFB, as approved by the Competent Authority on 6th Mar 2019 is hereby notified as enclosed.


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POLICY FOR INDIGENIZATION OF COMPONENTS AND SPARES USED IN DEFENCE PLATFORMS FOR DPSUs/OFB

1. Background

1.1 A large number of defence equipment/platforms are being manufactured in India on the basis of Transfer of Technology (ToT). Most of these platforms when manufactured in India, require parts and components (including alloys & special materials) from foreign OEMs. Similarly, several platforms which are designed and developed in India are also based on imported parts/components. As a result, even though the equipment/platform is being manufactured in India, the dependence on foreign OEMs subsists and thereby compromises the goal of self-reliance in defence.

1.2 According to one estimate, the value of components (including alloys & special materials) imported by Defence PSUs and Ordnance Factories during 2017-18 is approximately Rs 13,810.61 crores. The domestic sourcing of components and sub-assemblies by Defence PSUs and Ordnance Factories during 2017-18 was Rs 44,949 crores. This does not include the import of components used by domestic industry/MSMEs for various sub-assemblies which are supplied to the Defence PSUs and Ordnance Factories. Assuming nearly 50% value addition by the suppliers, the import of components would be additional Rs 22,475 crores during 2017-18.

1.3 The import of parts and components also put a constraint on the ability of Indian organizations to export of these equipment/platform manufactured in India thereby putting limitation on growth of country's defence industrial ecosystem.

1.4 One of the challenges in indigenization is the huge diversity in the number of components (including alloys & special materials) required. According to one estimate, nearly one lakh components used for various defence and aerospace related platforms are being imported by Defence PSUs and Ordnance Factories. Besides, there are components which are being imported by private industry/MSMEs for the platforms and sub-assemblies being manufactured by them. Further, the volume required for several components is small, not amenable to economically viable unit for manufacturing.

1.5 There are three major technology areas which require advancement in terms of country's ability to indigenize the components (including alloys & special materials) and spares. These are materials technology, engine technology and electronics chip technology. Materials required for defence are typically lighter, stronger, and blast resistant. New composite materials and new super alloys have been discovered with superior performance qualities. Associated with these materials are demands of forgings, castings, and precision machining to achieve desired shapes and sizes. Another important technology area relates to Engines, used in ground vehicles like tanks and other heavy vehicles, or naval vessels or aircrafts of different types. The engines also vary with fuel used. While different applications require different type of engines, one common differentiator is that all these engines used are more powerful, lighter and provide greater thrust. The third technology area is electronics chip technology. There is increasing dependence of electronics and software in defence platform thereby increasing the share of electronic chips, sensors with embedded and application software customized for platform requirements.

1.6 The proposed policy tries to address the challenges posed in indigenization.

2. Objectives

The objective of the policy is to create an industry ecosystem which is able to indigenize the imported components (including alloys & special materials) and sub-assemblies for defence equipment and platform manufactured in India and to leverage the said capability to create components export market. It is estimated that Defence PSUs will reduce the import bill more than Rs 15000 Cr by 2022 through indigenization of products and processes. The timelines for various initiatives will be drawn up through executive orders to be issued by appropriate agencies/ authorities.

3. Strategies

3.1 All Defence PSUs and Ordnance Factories shall give preference to indigenous component (including alloys & special materials) or sub-assembly over imported without compromise on quality and certification requirements.

3.2 Indigenization should, as far as possible, result in significant savings in cost. Indigenized product should invariably be cheaper and meet all technical and functional specifications of the imported component which it seeks to replace. Initial development cost by indigenous manufacturers will however be borne in mind while comparing cost of newly indigenized item with its imported cost.

3.3 The goal of indigenization shall be Indian designed and manufactured product. However, recognizing that some value-addition is better than no value-addition (import), a graded approach to value-addition of indigenized components and sub-assemblies may be adopted based on state of domestic industry capability and taking into account technological constraints esp. for engine technology, electronic chip fabrication, material technology etc. The value-addition may be increased in a phased manner.

3.4 Ensuring legal compliance

- Legal agreements entered into shall be adhered into while taking up indigenization. Wherever there is legal restriction for indigenizing, efforts would be made, through bilateral negotiations to get such restrictions removed.
- All future Transfer of Technology agreements to safeguard India's rights to indigenize components.

3.5 IP Policy for Indigenized components (including alloys & special materials)

- DDP to finalize an IP Policy with respect to the IP Rights of components (including alloys & special materials) and sub-assemblies indigenized.

3.6 Development of Indigenization Portal- DDP shall develop a common Indigenization Portal for all Defence PSUs and Ordnance Factories, with provision to include SHQs, which will, interalia, offer the following services:

- List of items to be indigenized. This list would be continuously updated based on new components (including alloys & special materials) which get added due to induction of new equipment/platforms and deletion of items which get successfully indigenized.

