



Industrial Licensing Policy in Defence Sector

1. Manufacturing in defence sector is governed through industrial licensing under The Industries (Development and Regulation) Act, 1951. Before 2001, manufacturing in defence sector was limited to public sector companies (OFB & DPSUs). However, in 2001, the Government allowed 100% Indian private sector participation in defence manufacturing sector subject to licensing under IDR Act. Over the years, the Government has taken many steps to increase private sector participation in defence manufacturing.
2. A manufacturer willing to participate in defence manufacturing sector has to first go through the defence products list for industrial licensing purpose notified vide Press Note 3 of 2014 Series (copy enclosed) and if the intended items of manufacturing are listed therein, the company has to obtain an industrial licence from DIPP under the IDR Act. Further, if the intended item of manufacturing is not listed in the said list, then for undertaking manufacturing of the same, no industrial licence is required from defence angle. For the purpose of obtaining industrial licence for undertaking manufacturing of licensable defence item, a Company is required to apply for grant of industrial licence for manufacturing online through e-biz portal provided on DIPP's website www.dipp.nic.in. On receipt of an IL application, DIPP circulates it to the Administrative Ministry (MoD in this case), State Governments concerned and MHA. After the receipt of comments from all concerned, the proposals are discussed in the Licensing Committee of DIPP and a decision to grant IL is taken in consultation with all stakeholders.
3. The IL applications so received in the Ministry of Defence, are examined by a Standing Committee on Private Sector Participation in Defence Production and comments are then sent to DIPP.
4. The licence holders are required to follow the security guidelines notified in the Security Manual for Licensed Defence Industries available at DDP's website i.e., www.ddpmod.gov.in. based on the product and their categorization for which an industrial licence is granted to a company.



5. The IL so granted by DIPP for defence sector is valid for 15 years, further extendable up to 18 years [Press Note 10 of 2015 Series http://dipp.nic.in/English/acts_rules/Press_Notes/pn10_2015.pdf]. During the validity of industrial licence, the licensee has to furnish progress of manufacture on bi-annual basis on half-yearly return form as per the condition of licence. Further, Licensee Company is required to submit/report commencement of production in Annexure-III as per the condition of licence. Partial commencement is treated as equivalent to full commencement for filing Annexure-III. Thereafter, no further extension is required and the IL becomes valid for all time.



Government of India
Ministry of Commerce and Industry
Department of Industrial Policy & Promotion
Secretariat for Industrial Assistance

Press Note No.3 (2014 Series)

LIST OF DEFENCE ITEMS REQUIRING INDUSTRIAL LICENSE

1. Defence items are covered under compulsory licensing under the IDR Act, 1951, mentioned at Sl. No.37 of the Schedule I of the Act and also included as entry No. 13 of Schedule II of Notification No.S.O.477 (E) dated 25th July 1991. Consequent to the decision in 2001 for opening up of the defence sector manufacturing for private sector participation, necessary amendment to the Schedule II of 477 (E) containing list of compulsory licensing items, was carried out vide Notification No. S.O.11 (E) dated 3rd January 2002 by substituting, for the words ‘Arms and ammunition, parts and accessories thereof’ the words ‘arms and ammunition and allied items of defence equipment; parts and accessories thereof’.
2. A list of defence items as finalized by Department of Defence Production, Ministry of Defence, to be read in conjunction with Entry No. 13 of Schedule II of the Notification No. S.O.477 (E) dated 25th July 1991 as amended by Notification No. S.O. 11 (E) dated 3rd January 2002, is Annexed.
3. Items not included in the list would not require industrial license for defence purposes. Further, it is clarified that dual use items, having military as well as civilian applications, other than those specially mentioned in the list, would also not require Industrial License from Defence angle.

Sd/-
(D. V. Prasad)
Joint Secretary to the Government of India

No.-7(3)/2009-IP.Vol III. Dated 26thJune, 2014

- Copy to: (1) Press Information officer, Press Information Bureau-for giving necessary publicity.
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Annexure

List of defence items as finalized by Department of Defence Production, Ministry of Defence, to be read in conjunction with Entry No. 13 of Schedule II of the Notification No.S.O.477 (E) dated 25th July 1991 as amended by Notification No. S.O.11 (E) dated 3rd January 2002.

13 Electronic aerospace and defence equipment : all types.

ITC(HS) Code	Category	Defence Items Included
87.10	Tanks and other armoured fighting vehicles.	<ul style="list-style-type: none">• Ground vehicles, as follows:-<ul style="list-style-type: none">(a) Ground vehicles namely tanks and other military armoured/armed vehicles and military vehicles fitted with mountings for arms or equipment for mine laying or the launching of munitions includes all tracked and wheeled self-propelled armoured and non-armoured weapon systems and trailers for towed and static weapon systems.(b) Other ground vehicles namely all-wheel drive vehicles capable of off road use which have been manufactured or fitted with materials or components to provide Ballistic protection to level III (NIJ 0108.01, September 1985, or comparable national standard or above) with mountings for arms or equipment for mine laying specially designed for military use.(c) Amphibious, hovercrafts and deep water fording vehicles for military use.• Cryogenic and superconductive equipment especially designed or configured to be installed in military vehicle.



88.01 to 88.05	Defence aircraft, space craft and parts thereof.	<ul style="list-style-type: none"> • “Aircraft” including but not limited to helicopters, “lighter-than-air vehicle”, “Unmanned Aerial Vehicles” (UAVs), Remotely Piloted Vehicles (RPVs), autonomous programmable vehicles, unmanned lighter than air vehicle (to include all variety of manned and unmanned airborne vehicles – includes target systems, loitering missiles, drones, balloons, blimps, aerostat, parachutes, paragliders, ground effect machines, air cushion vehicles/hovercraft, UAVs and launchers, designed for military application).
8906.01	Warships all kinds.	<ul style="list-style-type: none"> • Vessels of war (surface or underwater), other surface vessels (Fitted with automatic weapons having a caliber of 12.7 mm or higher, CBRN protection, active weapon countermeasure systems), special naval equipment, anti-submarine/torpedo nets, hull penetrators and connectors “specially designed for military use”. • Air Independent Propulsion (AIP) systems (nuclear/conventional) for marine applications.
93.01 to 93.07	Arms and ammunition and allied items of defence equipment; parts and accessories thereof.	<ul style="list-style-type: none"> • All Rifle & Smooth-bore weapons and other arms, automatic/Semi-automatic or pump action type weapons, Weapons using case less ammunition, Silencers, special gun-mountings, weapons sights, signature reduction devices and flash suppressors to include rifles, carbines, revolvers, pistols, machine pistols, multi barrel rocket, machine guns, guns, rocket, cannon & missile systems –used on land, ships & shore based and airborne, howitzers, mortars, anti-tank weapons, projectile launchers, military flame throwers, rifles, recoilless rifles. • Ammunition and fuze setting devices including the following: <ol style="list-style-type: none"> (a) Safing and arming devices, fuzes, sensors and initiation devices; (b) Power supplies with high one-time



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		<p>operational output;</p> <p>(c) Combustible cases for charges;</p> <p>(d) Submunitions including bomblets, minelets and terminally guided projectiles.</p> <ul style="list-style-type: none">• Bombs, torpedoes, grenades, smoke canisters, rockets, mines, missiles, depth charges, demolition-charges, demolition-devices, demolition kits, aircraft missile protection systems (AMPS), “pyrotechnic” devices, cartridges and simulators (i.e. equipment simulating the characteristics of any of these items), specially designed for military use.• “Energetic materials” and related substances includes all explosives like primers, boosters, initiators, igniters, detonators, smoke bomb, colour signals, propellants and pyrotechnics, oxidizers, binders, plasticizers, mobomers, additive scuopling agents, Precursors and other related ammunition.• High velocity kinetic energy weapon systems and related equipment:<ul style="list-style-type: none">(a) Kinetic energy weapon systems specially designed for destruction or effecting mission-abort of target;(b) Specially designed test and evaluation facilities and test models, including diagnostic instrumentation and targets, for dynamic testing of kinetic energy projectiles and systems.• Directed Energy Weapon (DEW) systems, related or countermeasure “equipment and test models” as follows:-<ul style="list-style-type: none">(a) “Laser” systems specially designed for, destruction or effecting mission, abort of a target;
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		<ul style="list-style-type: none">(b) Particle beam systems capable of destruction or effecting mission- abort of a target;(c) High power Radio-Frequency (RF) systems capable of destruction or effecting mission- abort of target;(d) Equipment specially designed for the detection or identification of; or defence against, systems at (a) and (c) above.(e) Physical test models for the systems, equipment and components, specified under this head.(f) ‘Laser protection equipment (e.g. eye and sensor protection)’. <ul style="list-style-type: none">• Electronic Equipment used for electronic counter measure (ECM) and electronic counter countermeasure (ECCM), surveillance, intelligence, Command and Control systems, Global Navigation satellite systems (GNSS) jamming equipment. Data processing, storage and transmission security equipment, identification and authentication equipment (including identification Friend or Foe and non-Cooperative Target Return Identification systems), guidance and navigation equipment’ Troposcatter-radio communications equipment’ and Military Information Security assurance systems and equipment (like cryptographic devices including military Cryptographic key management and Cryptanalytic systems), communication equipment, frequency modules and secrecy devices, specially designed for Military use.• Armoured or protective equipment as follows:-<ul style="list-style-type: none">(a) Constructions of metallic or non-metallic materials, or combinations thereof, specially designed to provide ballistic protection for military systems(b) Body armour or protective garments of
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		<p>level III (NIJ 0101.06, July 2008 or national equivalent and above).</p> <ul style="list-style-type: none">• ‘Specialised equipment for military training’ or simulators specially designed for training in the use of any firearm or weapon.• Imaging or countermeasure equipment, as follows, specially designed for military use:-<ul style="list-style-type: none">(a) Recorders and image processing equipment;”(b) Image intensifier equipment;(c) Infrared or thermal imaging equipment;(d) Imaging radar sensor equipment;(e) Countermeasure or counter-countermeasure equipment• Miscellaneous : Concealment and deception equipment specially designed for military application, including but not limited to special paints, decoys smoke or obscuration equipment and simulators, and Metal embrittling agents.
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