

Industrial Licensing Policy in Defence Sector

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.

2. After notification of New Arms Rules 2016, Ministry of Home Affairs vide its Notification dated the 19th May, 2017 has delegated powers and functions to Secretary to the Government of India in the Ministry of Commerce and Industry, Department of Industrial Policy and Promotion (DIPP), in respect of the category of arms and ammunition and defence items as specified under columns (2) and (3) of the Schedule, subject to the following conditions, namely:-

- a) That the Secretary, DIPP shall, in the exercise and performance of powers and functions under the said sections, be subject to the supervision and control of the Central Government in the Ministry of Home Affairs (MHA);
- b) That the Secretary, DIPP shall observe the policies and instructions laid down by the Central Government in the Ministry of Home Affairs and shall not enunciate any new policy or issue instructions in relation thereto without the prior consent of the Central Government in the MHA; and
- c) That the Central Government may revoke such delegation of powers and functions or may itself exercise or perform the powers of functions under the said sections, if in its opinion such a course of action is necessary in the public interest.

3. All applications for grant of license for manufacture of Small Arms up to 12.7 mm caliber, its parts, components and ammunition for such Small Arms are to be made directly to Ministry of Home Affairs in Form A-6 along with security clearances proforma and to be forwarded manually to Under Secretary (Arms Section), Ministry of Home Affairs, Major Dhyan Chand National Stadium, IInd floor, Near India Gate, New Delhi.

4. All applications for grant of license for manufacture of arms above 12.7 mm caliber, its parts and accessories and ammunitions configured for defence purposes as indicated in the schedule to the Notification dated 19.05.2017 of MHA, are to be made to DIPP in Form A-6 along with security clearance proforma and FDI Annexure. Department of Industrial Policy and Promotion, UdyogBhawan, New Delhi. The liberalized rules will apply to licences granted by DIPP, under powers delegated to them, for tanks and other armoured fighting vehicles, defence aircrafts, spacecrafts, warships of all kinds, arms and ammunition and allied items of defence equipment other than small arms.

5. All other defence licensable items left under IDR Act, the application for Industrial License are to be made online on e-biz portal on DIPP website.

6. 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.

7. 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.
