



Positive Indigenisation List

Why in News

The **Ministry of Defence (MoD)** has notified the **second negative import list**, now renamed as the '**positive [indigenisation list](#)**' of 108 items.

- The '**[First Negative Indigenisation](#)**' List comprising 101 items was notified in August 2020.

Key Points

▪ About the Second Positive Indigenisation List:

- **Procurement:** All the 108 items will now be procured from indigenous sources as per provisions given in **[Defence Acquisition Procedure \(DAP\) 2020](#)**.
- **Timeline:** It is planned to be implemented progressively with effect from **December 2021 to December 2025**.
- **Items Included:**
 - It comprises complex systems, sensors, simulator, weapons and ammunitions like Helicopters, Next Generation Corvettes, Airborne Early Warning and Control (AEW&C) systems, Tank Engines, Medium Power Radar for Mountains, **[MRSAM \(Medium Range Surface to Air Missile\) Weapon Systems](#)** and many more such items to fulfil the requirements of Indian Armed Forces.
- **Potential Benefits:**
 - It will give a boost to indigenisation with **active participation of public and private sector** for fulfilling the twin objectives of achieving self-reliance (**[Atmanirbhar Bharat](#)**) and promoting defence exports.
 - **Import substitution of ammunition** which is a recurring requirement has been given special focus.
 - Not only does the list recognise the potential of the local defence industry, it will also invigorate impetus to **domestic Research & Development** by attracting fresh investment into technology and manufacturing capabilities.
 - It also provides an **excellent opportunity for 'start-ups'**, as **[Micro, Small, and Medium Enterprises \(MSMEs\)](#)** will get a tremendous boost from this initiative.

▪ Other Initiatives Taken to Boost Domestic Production of Defence Equipment:

- **Increased Capital Acquisition Budget (CAB) for Domestic Sector:** The Ministry of Defence has decided to earmark around 64% of its modernisation funds under the capital acquisition budget for 2021-22, a sum of Rs 70,221 crore, for purchases from the domestic sector.
 - For FY 2020-21, the capital budget allocation for domestic vendors was made at 58%, an amount of Rs. 52,000 crore.
- **Defence Industrial Corridors:** India has inaugurated **two defence industrial corridors, one in Tamil Nadu and the other in Uttar Pradesh** to boost the flagship "Make in India" programme that in turn would attract investment as well as encourage

employment generation.

- The Central government has **increased the Foreign Direct Investment (FDI) limit** in the defence sector **from 49 to 74% under automatic route** and **beyond 74% through the government route.**
- **Corporatization of the Ordnance Factory Boards:** This was announced for better management, so that they can be listed on the stock market and people can buy their shares.
- **Defence India Startup Challenge:** DISC aims at supporting Startups/MSMEs/Innovators to create prototypes and/or commercialize products/solutions in the area of National Defence and Security.
 - It has been launched by the **Ministry of Defence** in partnership with [Atal Innovation Mission](#).
- **SRIJAN Portal:** It is a one stop shop online portal that provides access to the vendors to take up items for indigenization.

Defence Acquisition Procedure (DAP) 2020

- It **enables the notification of a List of Weapons or Platforms that will be banned for import.**
- It focuses on **Foreign Direct Investment (FDI) in defence manufacturing and indigenization of the manufacturing prices.**
- It also introduces several new ideas such as the need to incorporate **artificial intelligence in platforms and systems, use of indigenous software** in defence equipment and **'innovation' by Start-ups and MSMEs as a new category of defence acquisition.**
- It includes following **procurement categories:** Buy (Indian - Indigenously Designed Developed and Manufactured), Buy (Indian), Buy and Make (Indian), Buy (Global - Manufacture in India) and Buy (Global).
 - It **increases the Indigenous Content (IC) requirement** for all projects from 40% to 50% earlier, depending on the category, to 50% to 60%.
 - Only under procurement through Buy (Global), foreign vendors can have 30% IC from Indian companies.

Category wise IC Requirement

| Category | Vendors eligible to participate | Indigenous Content |
|---|---------------------------------|--|
| Buy (IDDM) | Indian | Indigenous design and $\geq 50\%$ |
| Buy (Indian) | Indian | In case of indigenous design $\geq 50\%$, otherwise $\geq 60\%$ |
| Buy and Make (Indian) (Buy portion may be nil) | Indian | $\geq 50\%$ of the 'Make' portion and transfer of critical technologies from the foreign vendors as per the specified range, depth and scope |
| Buy (Global - Manufacture in India) | Foreign and Indian | $\geq 50\%$ |
| Buy (Global) | Foreign and Indian | Foreign Vendor - Nil Indian Vendor $\geq 30\%$ |

Way Forward

- The Ministry of Defence, [Defence Research and Development Organisation \(DRDO\)](#) and Service Headquarters shall take all necessary steps, including hand holding of the industry, to ensure that the timelines mentioned in the list are met.
 - It will thereby facilitate an environment for Indian defence manufacturers to create world class infrastructure, assist in the government's '[Make in India](#)' vision to make India self-reliant in defence and develop the capabilities for defence export in the near future.
- The Ministry of Defence is also expected to put out the final version of the '[Defence Production and Export Promotion Policy \(DPEPP\) 2020](#)'.
 - DPEPP is envisaged as an overarching guiding document to provide a focused, structured and significant thrust to defence production capabilities of the country for self-reliance and exports.

[Source: TH](#)