

Draft Defence Production and Export Promotion Policy

August 4, 2020

In order to provide impetus to self-reliance in defence manufacturing, multiple announcements were made under 'Atma Nirbhar Bharat Package'. In implementing such a framework and to position India amongst the leading countries of the world in defence and aerospace sectors, the Ministry of Defence (MoD) has formulated a draft Defence Production and Export Promotion Policy 2020 (DPEPP 2020).

DPEPP 2020

The DPEPP 2020 is envisaged as an overarching guiding document of MoD to provide a focused, structured and significant thrust to defence production capabilities of the country for self-reliance and exports.

The policy has laid out following goals and objectives:

- To **achieve a turnover of Rs 1,75,000 Crores (US\$ 25Bn) including export of Rs 35,000 Crore (US\$ 5 Billion)** in Aerospace and Defence goods and services by 2025.
- To develop a dynamic, robust and competitive Defence industry, including **Aerospace and Naval Shipbuilding industry** to cater to the needs of Armed forces with quality products.
- To reduce dependence on imports and **take forward "Make in India" initiatives** through domestic design and development.
- To promote export of defence products and **become part of the global defence value chains.**
- To create an **environment that encourages R&D, rewards innovation, creates Indian IP ownership** and promotes a robust and self-reliant defence industry.

The Policy brings out multiple strategies under the following focus areas:

- **Procurement Reforms:** Expeditious and streamlined procurement procedures are helpful in the development of Defence Production ecosystem and to impact the flow of investments into the sector as well as the use of technologies already developed by DRDO.
- **Indigenization & Support to MSMEs/Startups:** The indigenization policy laid out by the department aims to create an industry ecosystem to indigenize the imported components (including alloys and special materials) and sub-assemblies for defence equipment and platform manufactured in India. 5,000 such items are proposed to be indigenized by 2025.
- **Optimize Resource Allocation:** The share of domestic procurement in overall Defence procurement is about 60 per cent. In order to enhance procurement from domestic industry, it is incumbent that procurement is doubled from the current Rs 70,000 crore to Rs 1,40,000 crore by 2025.
- **Investment Promotion, FDI & Ease of Doing Business:** Defence being a monopsony, investments in this sector are incumbent on regular supply of orders. However, India's emergence as a Defence manufacturing hub with rising exports offers a unique opportunity now for attracting investments in defence and aerospace sectors.
- **Innovation and R&D:** By harnessing the nationwide R&D capabilities, future requirements of the services could be met and critical gaps in related technologies would get addressed.
- **DPSUs and OFB:** While significant progress has been made by these units in manufacturing arms and ammunition, tanks, armoured vehicles, heavy vehicles, aircraft and helicopters, submarines, missiles, electronic equipment, special alloys etc., it is essential that these organizations are reformed to prepare themselves for the

future so that they work in tandem with the private industry.

- **Quality Assurance & Testing Infrastructure:** Competitiveness of the Defence Industry depends on robust quality assurance practices and mechanisms and this needs to be ensured in all phases of the product life cycle.
- **Export Promotion:** Defence exports have grown manifold over the last few years. The aim of the policy is to achieve the target of Rs 35,000 crore (US\$ 5 Bn) of Defence Exports by 2025.