

# MP-IDSA

## *Issue Brief*

# The Fourth Positive Indigenisation List: A Step Forward for India

*Shayesta Nishat Ahmed*

August 24, 2023

## **S***ummary*

The Positive Indigenization List (PIL) is an important initiative to encourage domestic defence production. Several government policies and activities are being implemented in conjunction with the PIL to promote a domestic ecosystem for defence manufacturing. An increased focus on crucial defence technologies and increase in funding for research and development are some of the steps that need to be taken to address the extant limitations plaguing the domestic defence industry.

## Introduction

India’s quest for defence indigenisation and self-reliance is central to attaining strategic independence in the defence sector. The work towards indigenisation in defence production has made strides with different initiatives by the Government of India. The Positive Indigenisation List (PIL) is one such initiative, with four lists released to date. The first list with 351 items was released in December 2021, the second list with 107 items was released in March 2022 and the third list with 780 items was released in August 2022. The fourth list was released at the 2022 DefExpo held on 18–22 October in Gandhinagar, Gujarat, where 101 items were recognised for indigenisation by the Ministry of Defence (MOD).<sup>1</sup> However, the approved list was only released on 14 May 2023.<sup>2</sup>

India’s need to advance in the field of self-reliance or *Aatmanirbharta*, stems not only from the need for achieving self-reliance in the defence production arena but also to gain ground in import substitution. The import substitution value of the current list is around Rs 715 crore and constitutes a range of high-end materials and spares.<sup>3</sup>

## Idea of *Aatmanirbharta*

In the face of the COVID-19 crisis, the call for *aatmanirbharta* arose to realise the goal of self-reliance, efficiency and resilience in all sectors of the economy. The central idea is intrinsic in the belief of *Vasudhaiva Kutumbakam*—to work towards global peace, happiness, and cooperation.<sup>4</sup> The idea of gaining *aatmanirbharta* in the defence sector stems not merely from the need for reducing import dependency, but rather to build an ecosystem that positions India as a global defence exporter.

Given that it is one of the most vital areas of the Indian economy, the defence sector has been identified as an area with numerous prospects for self-reliance. Due to the enormous pool of skilled human resource and the extensive modernisation needs of the Indian Armed Forces, it has the potential for tremendous expansion. By creating jobs and helping the exchequer by easing the burden of imports, the defence sector would further enhance the economy. To promote domestic design, development, and production of defence equipment and create a sustainable defence industrial ecosystem, the government has launched several policy initiatives.

---

<sup>1</sup>“[‘Aatmanirbharta’ in Defence: Prime Minister Shri Narendra Modi Announces Fourth Positive Indigenisation List of 101 Items during DefExpo 2022](#)”, Press Information Bureau, Ministry of Defence, Government of India, 19 October 2022.

<sup>2</sup>“[‘Aatmanirbharta’ in Defence: MoD Approves 4th Positive Indigenisation List of 928 Strategically-important Line Replacement Units/Sub-systems/Spares & Components](#)”, Press Information Bureau, Ministry of Defence, Government of India, 14 May 2023.

<sup>3</sup> Ibid.

<sup>4</sup>“[‘English Rendering of Prime Minister Shri Narendra Modi’s Address to the Nation on 12.5.2020](#)”, Press Information Bureau, Prime Minister’s Office, 12 May 2023.

The ongoing Ukraine conflict has disrupted the supply of defence equipment, spares, and the maintenance, repair, and overhaul of equipment (MRO). Due to the shortage of semiconductors, upgrades to the Sukhoi aircraft had to be postponed, along with the development of missile defence systems, armoured vehicles, and gas turbine engines for the Indian Navy.<sup>5</sup> Likewise, the delivery of the S-400 Air Defence Missile System from Russia was delayed, prompting a rise in support for indigenous weapon system development. To be prepared for any threats to national security, it is crucial to secure the global defence supply chains and other such logistics.

Prime Minister Narendra Modi’s statement in the Ministry of Defence (MoD) organised post-budget ‘Webinar on Budget announcements: 2022-23 *Aatmanirbharta* in Defence – Call to Action’ held on 25 February 2022, reiterated the importance of self-reliance, specifically in the context of developing customisation and tailor-making military hardware and systems per the varied levels of adversarial threats faced by a country.

Furthermore, indigenisation assists in holding the element of surprise to gain a strategic advantage in conflict situations. As stated by Prime Minister Modi, “uniqueness and surprise elements can only happen when the equipment is developed in your own country”.<sup>6</sup> From a strategic standpoint, developing a defence industrial ecosystem approach seeks to safeguard and maintain India’s capacity to make its own decisions about its foreign policy in an increasingly unstable and chaotic world.

## **Drive for Indigenisation in Indian Defence Industry**

Although *aatmanirbharta* is a recent term, the drive for indigenisation and attaining self-reliance has been going on for quite a while. The pursuit of indigenisation in the defence industry in India began in 1992 when Dr A.P.J. Abdul Kalam, the then Scientific Advisor to the Defence Minister, headed a Self-Reliance Review Committee (SRRV). The SRRV proposed a ten-year plan through the Self-Reliance Index (SRI)<sup>7</sup> to reach 70 per cent indigenisation in defence procurement by 2005, up from the then existing 30 per cent.<sup>8</sup>

---

<sup>5</sup> Mukesh Aghi and Baljinder Singh, “[The Ukraine Crisis and the Supply Chain Conundrum](#)”, *Financial Express*, 1 July 2022.

<sup>6</sup> “[Ministry of Defence Organises Post Budget Webinar ‘Aatmanirbharta in Defence - Call to Action’](#)”, Press Information Bureau, Ministry of Defence, Government of India, 25 February 2022.

<sup>7</sup> SRI refers to the proportion of defence purchases with indigenous content to all purchases made in a given fiscal year.

<sup>8</sup> Laxman Kumar Behera, “[Indian Defence Industry Issues of Self-Reliance](#)”, IDSA Monograph Series, No. 21, Manohar Parrikar Institute for Defence Studies and Analyses, July 2013.

Similar recommendations were made by the following task forces and committees:

- Group of Ministers’ (GoM) Task Force on the Management of Defence headed by Arun Singh in 2001;
- The Kelkar Committee Report on self-reliance and revitalising DPSUs in 2005;
- The Sisodia Committee Report on improving defence acquisitions in 2007; and
- The Naresh Chandra Committee Report on national security in 2012.<sup>9</sup>

The Defence Procurement Procedure (DPP) was promulgated in 2002 to organise and schedule the purchase of military equipment for the Armed Forces. It was thereafter revised in 2016 and promulgated as the Defence Procurement Procedure (DPP) 2016, and emphasis was placed on developing and manufacturing weapon systems indigenously. The Defence Acquisition Procedure (DAP)-2020 is one of the keystone documents to promote indigenous manufacturing and reduce India’s dependence on imports. The DAP makes provisions to support domestic manufacturing and production, such as buyer-seller agreements, incentives for the domestic defence industry, offset requirements for foreign defence imports, and the PIL (concentrating specifically on domestic production).<sup>10</sup>

The PIL is an attempt at creating a more accountable, competitive and fair space for the development of the indigenous defence market. These are specially intended to boost the Micro, Small and Medium Enterprises (MSMEs). The DAP 2020 includes a provision to increase the proportion of locally manufactured goods and technologies that are purchased and acquired in the defence industry.<sup>11</sup>

The Buy (Indian-IDDMM), Make I and Make II categories will further assist Indian vendors that meet the conditions of ownership and control by resident Indian citizens with an FDI of no more than 49 per cent.<sup>12</sup> The Buy (Indian-IDDMM) refers to Buy (Indian – Indigenously Designed Developed and Manufactured. The highest priority for the purchase of capital equipment has been given to this category. Additionally, the categories “Buy (Indian)” and “Buy & Make (Indian)” of capital acquisition are preferred over “Buy (Global)” and “Buy & Make (Global)”.<sup>13</sup>

---

<sup>9</sup> Dhruva Jaishankar, “[The Indigenisation of India’s Defence Industry](#)”, Impact Series, Brookings India, August 2019.

<sup>10</sup> “[Defence Acquisition Procedure 2020](#)”, Ministry of Defence, Government of India, 30 September 2020.

<sup>11</sup> “[Self-Reliance in Defence Sector](#)”, Ministry of Defence, Government of India, 4 August 2023.

<sup>12</sup> “[Encouragement to Indigenous Production of Defence Equipment](#)”, Press Information Bureau, Ministry of Defence, Government of India, 19 September 2020.

<sup>13</sup> “[Project Under ‘Make in India’](#)”, Press Information Bureau, Ministry of Defence, Government of India, 5 February 2020.

The ‘Make’ category of capital acquisition is the cornerstone of the Make in India initiative that seeks to build indigenous capabilities through the involvement of both public and private sectors. Within the ‘Make’ procedure, there exist three subcategories—Make-I (government-funded), Make-II (industry-funded), and Make-III (Indigenously Manufactured).

The indigenisation of the various items on the positive indigenisation lists is to be undertaken by the stakeholders involved in different ‘Make’ categories through the capabilities of the MSMEs and private defence industry. The status of the positive indigenisation lists is available on the Srijan Portal Dashboard.<sup>14</sup> The Dashboard may be used by the business community to search for Expressions of Interest (EoIs) and Requests for Proposals (RFPs). Furthermore, by incorporating academic institutions and research centres, the DAP 2020 aims to improve the design capabilities of the domestic defence sector.<sup>15</sup> The government has also set up the Innovations for Defence Excellence (iDEX) which is managed by the Defence Innovation Organisation (DIO) to give the defence and aerospace companies the infrastructure assistance and incubation they require.

The PIL was fashioned as a way for India’s armed services to purchase from the domestic industry manufacturers for defence equipment and systems. The PIL intends to augment the design capabilities of the domestic defence industry, Research & Development (R&D), and skill-building in human resources and development.<sup>16</sup> It includes the DPSUs, Ordnance Factory Board (OFB) and the private sector defence industry. Aside from these four lists, the government had already indigenised 2,500 items.<sup>17</sup>

Following numerous rounds of discussions with stakeholders in the defence industry, the MoD creates the lists. Equipment and systems that are being developed and are anticipated to result in concrete orders in the following five to ten years are given particular attention. Similar to the prior three lists, significant attention has been paid to the import substitution of ammunition, which is a recurring requirement.<sup>18</sup>

---

<sup>14</sup> [Srijan Dashboard](#) (Status of Positive Indigenisation List of DPSUs), Department of Defence Production, Ministry of Defence, Government of India.

<sup>15</sup> [“‘Aatmanirbharta’ in Defence: MoD Approves 4th Positive Indigenisation List of 928 Strategically-important Line Replacement Units/Sub-systems/Spares & Components”](#), no. 2.

<sup>16</sup> [“Subject: Guidelines on Positive Indigenisation List”](#), Department of Military Affairs, Ministry of Defence, Government of India, 2 November 2021.

<sup>17</sup> [“‘Aatmanirbharta’ in Defence: MoD Approves 4th Positive Indigenisation List of 928 Strategically-important Line Replacement Units/Sub-systems/Spares & Components”](#), no. 2.

<sup>18</sup> [“Landmark Policy Decision to Indigenise 101 More Weapons and Platforms to Speed Up ‘Aatmanirbharta’ in Defence”](#), Press Information Bureau, Ministry of Defence, Government of India, 7 April 2022.

India, as on date, ranks fourth on the list of biggest military spenders. About 75 per cent of the domestic defence capital procurement budget of India has also been earmarked for the domestic defence industry in the 2023–2024 Financial Year (FY). The defence ministry has also set a goal of Rs 1.75 lakh crore turnover in defence manufacturing by 2025, with the defence export target being set at Rs 35,000 crores.

## What does the Fourth PIL contain?

The fourth PIL comprises weapons, platforms, systems, equipment and ammunition that are to be built domestically, along with the timeline to operationalise the import ban and initiate procurement from local vendors. The import ban will set in within a period of five and a half years, spanning December 2023 to 2028. The list contains “928 strategically-important Line Replacement Units (LRUs)/Sub-systems/Spares & Components, including high-end materials & spares, with import substitution value worth Rs 715 crore”.<sup>19</sup> These comprise items which go into the manufacturing of fighter planes, trainer aircraft, warships, and various categories of ammunition. The DPSUs are to initiate procurement for these items at the earliest.

As per media reports, the current list seeks to promote indigenous production of items for the “Sukhoi-30 [...] Jaguar fighter jets, Hindustan Turbo Trainer-40 (HTT-40) planes, magazine fire-fighting systems on board warships, and gas turbine generators”.<sup>20</sup> Noteworthy, DPSUs like the Mazagon Dock Shipbuilders Limited (MDL) and Hindustan Aeronautics Limited (HAL) are projected to make major procurements in the ship and aircraft building sector.

## Challenges

The Stockholm International Peace Research Institute (SIPRI) in its Trends in International Arms Transfer report for the period 2018–2022 flagged India as the leading arms importer, accounting for 11 per cent of the global arms import share.<sup>21</sup> To arrest this trend of increase in the percentage of defence imports, there has been a deliberate shift towards boosting the domestic arms industry through indigenisation. India’s complex relations with its nuclear neighbours, China and Pakistan, have notably contributed to its increased arms imports.

Among the major arms providers to India are Russia, France and the United States. France has risen to become India’s second-largest arms source, primarily supplying

---

<sup>19</sup> Ibid.

<sup>20</sup> Rahul Singh, “[India Imposes Phased Import Ban on 928 Defence Items in Latest Self-reliance Push](#)”, *Hindustan Times*, 14 May 2023.

<sup>21</sup> Pieter D. Wezeman, Justine Gadon and Siemon T. Wezeman, “[Trends in International Arms Transfers, 2022](#)”, SIPRI Fact Sheet, Stockholm International Peace Research Institute, March 2023.

submarines and combat aircraft. The majority of India’s imports consist of combat aircraft, warships, surface-to-air missile systems, tanks, armoured vehicles, and artillery, among other items. Amid the Ukrainian conflict, the United States has escalated its global arms exports, while Russia’s export share has declined.<sup>22</sup>

Potential challenges include higher costs for defence equipment due to limited economies of scale compared to international manufacturers and delays in domestic procurement due to the need for new technical capabilities. Ensuring timely production of high-quality equipment and weaponry for export or domestic military use is crucial to sustain the progress of indigenous production while supporting import subsidies and export promotion programs.

## Going Forward

The government can assist the indigenous defence industry in making substantial gains by concentrating on the indigenisation of critical defence technologies. Firstly, setting more priority on larger complex systems, such as drones, fighter jets, ship-building, critical sensors etc, would provide a more focused push to the defence industry. There is a need to increase the value of the indigenous goods produced in the country, rather than mere spare components.

Secondly, there is a need to increase the number of problem statements submitted to iDEX by the stakeholders, in accordance with the size of the organisation.<sup>23</sup> As the demand for *aatmanirbharta* arose to advance the objectives of independence, effectiveness, and resiliency in all spheres of the economy, there can also be a gradual effort at formulating similar -iDEX initiatives for other ministries too.

The Meher Baba competition which is meant to drive innovation in the aerospace and drone industry, can be replicated by the navy and army too.<sup>24</sup> The Meher Baba competition was introduced in 2018, for the expanding indigenous drone industry to create technology for a “Swarm drone-based system to detect foreign objects on aircraft operating surfaces”.<sup>25</sup> Its goal was to promote the use of swarm drone technology for low-cost, high-impact solutions in a variety of fields, including disaster relief efforts.

India has a sizable defence budget, which can be concentrated on developing its defence technology, particularly in the areas of civil–military fusion and dual-use

---

<sup>22</sup> Ibid.

<sup>23</sup> [Defence Innovation Organisation](#), Innovation for Defence Excellence, Ministry of Defence, Government of India.

<sup>24</sup> [Meher Baba Competition](#), Indian Air Force, Government of India.

<sup>25</sup> Ravi Sharma, “[Defence Minister Rajnath Singh Launches the Mehar Baba Competition-II, Aimed at the Growing Indigenous Drone Industry](#)”, *Frontline*, 6 April 2022.

technologies to achieve civil–military integration in areas like aviation technologies. Further, more money must be allocated for research and development, and the private companies that have just entered the defence business require additional industrial support.

Setting realistic timelines for the import bans to achieve successful indigenisation, along with making provisions for more testing facilities, financial assistance to the startup industry and access to technology, may streamline India’s path towards self-reliance in the defence sector. Additionally, it is prudent for India to identify any technological gaps to engage in joint ventures and other forms of foreign cooperation that might lead to the sharing and creation of Intellectual Property (IP), which can hasten the process of indigenisation.

The positive indigenisation lists are a step in the right direction and signal the dedication towards self-reliance in defence. They provide a roadmap for the domestic industry to follow. If the lists are implemented effectively, it could help to make India a more self-reliant and secure country.

## About the Author



**Ms. Shayesta Nishat Ahmed** is Research Analyst at the Manohar Parrikar Institute for Defence Studies and Analyses, New Delhi.

**Manohar Parrikar Institute for Defence Studies and Analyses** is a non-partisan, autonomous body dedicated to objective research and policy relevant studies on all aspects of defence and security. Its mission is to promote national and international security through the generation and dissemination of knowledge on defence and security-related issues.

*Disclaimer:* Views expressed in Manohar Parrikar IDSA's publications and on its website are those of the authors and do not necessarily reflect the views of the Manohar Parrikar IDSA or the Government of India.

© Manohar Parrikar Institute for Defence Studies and Analyses (MP-IDSA) 2023