


No.01(03)/2021-D(EPC)
Ministry of Defence
Department of Defence Production

New Delhi dated ...6th April 2022.

OFFICE MEMORANDUM

SUBJECT: Guidelines for the Export of Military Surplus and De-Inductionized Weapons and Equipment.

The undersigned is directed to circulate herewith the "Guidelines for the Export of Military Surplus and De-Inductionized Weapons and Equipment" approved by the Competent Authority for information and necessary action of all concerned.


(Urmila Rawat)
Deputy Secretary to the Govt. of India
Tel: 23016768

To

Defence Secretary	Secretary, DMA	Secretary, MEA
Secretary (DRDO)	FA(DS)	Additional Secretary(DP)
DG(Acquisition)	DGQA	DGAQA
DGNAI	DGFT	

Copy to:

CEO, DP(IT) with a request to upload the Guidelines on the websites of Ministry of Defence and Department of Defence Production.

Guidelines for the Export of Military Surplus and De-inductionized Weapons and Equipment

1. Preamble

- 1.1 Self-reliance in defence has been the cornerstone of India's defence production policy. The call for "ATMA NIRBHAR BHARAT" has provided further impetus to realise the goal of self-reliance. Over the years, transparent and streamlined Procurement Procedures, Production Policies and 'Make in India' initiatives have provided significant stimulus to demand for indigenous products. Indian Defence industry, primarily catering to the needs of the armed forces, has evolved with diversified product mix and market. Propelled by the recent successes in exports, India is set to realize its potential as an emerging defence manufacturing hub.
- 1.2 To make India amongst the leading countries of the world in Defence sector, the Department of Defence Production(DDP) envisions to achieve export target of Rs.35,000 Crore (US\$ 5 Bn) in Aerospace and Defence sector by 2024-25. Export promotion of defence equipment is one of the important mandates of the DDP, which strengthens the global demand of Indian defence equipment and thus, operations of the DPSUs, OFB, private industries and MSMEs etc. giving boost to economy.
- 1.3 Accordingly, it has also been considered appropriate to explore the opportunities for exporting de-inductionized Weapons and Equipment which have adequate residual life, from the Inventory of the Indian Armed Forces with/without refurbishment by the industries to Friendly Foreign Countries(FFCs).

2. De-inductionization

- 2.1 India spends about 2.1% of the GDP on its military budget and maintains a well equipped Army, Air Force and Navy in order to secure its sovereign boundaries. Given the massive military modernization and buildup in the recent past, vast quantities of weapons and equipment have been procured and added to the inventory of the Services. The individual armed Services are responsible for determining their equipment needs. Consequently, they also determine, subject to the approval of the Ministry of Defence, which weapon/equipment may be de-inductionized.

- 2.2 Thus, the surplus stores which have substantial shelf life left but are no longer put to use in the Armed Forces, are de-inductionised from the inventory. Such equipments/weapons are often transferred to civilian forces or destroyed. Therefore, therein lies a good potential of export of the de-inductionized weapon/equipment with/without their refurbishment.

3. Categorization of deinductionized store/items

The items identified by the Services for de-induction on account of modernization may be categorized broadly into the category of "Surplus Stores" which may include usable equipment/weapon no longer aligned with operational requirements.

4. Project Formulation

4.1 Identification of Weapons

- a) De-inductionised equipments/weapons may be identified, inventorized and catalogued by the Services/**DMA** as per categorization mentioned in para 3 of the guidelines.
- b) Details in terms of numbers, life rendered, reasons for discard (Beyond Economic Repair (BER) / Beyond Local Repair(BLR)), OEM, IPR and unit price at the time of original purchase to be indicated.
- c) Equipment where the End Use and User Certificate has been submitted by the SHQ be highlighted.
- d) The third party transfer rights, intellectual property rights or those for modernization, change or agreed use etc. pertaining to the identified item should be respected.

4.2 Life assessment/Residual life

- a) The list of de-inductionized weapon with all the above details will be shared by the Services with DGQA/DGAQA/DGNAI/CEMILAC alongwith available technical documents/literature pertaining to the store/items for assessing the residual life.

- b) A composite team of the Services, QA agency (DGQA/DGAQA/DGNAI/CEMILAC, as applicable) Maintenance Agency of the Services will carry out detailed inspections in association with OEM/DPSUs to assess the residual life of the inventory and feasibility to refurbish the same, its value/serviceability etc.
- c) The process/methodology for assessment of residual life/serviceability of the equipment will be decided by the respective Quality Assurance Agencies and the Maintenance Agency of the Services.

4.3 Floor Price assessment

A Committee headed by Advisor (Cost) with representatives of the concerned Service and concerned QA agency and a representative from the related industry, will assess the Floor Price of the de-inductionized items.

5. Auction of De-inductionized item

- 5.1 The list of de-inductionized surplus stores as mentioned in para 3 of these guidelines will be displayed on MoD Website for auction.
- 5.2 The de-inductionised stores may be auctioned by the respective Service being the owner, to Indian public/private industry holding defence manufacturing license.
- 5.3 The IPR conditions associated with the Store may be explicitly brought out in the Auction documents.
- 5.4 Terms and Conditions of Auction should clearly bring out that the de-inductionised item is free from all encumbrances.

6. Obligations

- 6.1 Transfer of items must not infringe or violate the IPR of the original seller. The prior consent of the FOEM will be facilitated by MoD through MEA.
- 6.2 Items auctioned off for cannibalization of scrap must comply with environmental obligations.

6.3 Organization/agency involved in the cannibalization of scrap will be responsible to comply with the extant environmental norms.

7. Refurbishment

The refurbishment of the de-inductionized weapon will be undertaken by the Industry which has taken possession of the same through auction.

8. Certification

- i. DGQA/DGAQA/DGNAI will certify refurbished items as "Fit for use by Armed Forces" before the items are exported.
- ii. A uniform mechanism will be developed by the DGQA/DGAQA/DGNAI aligning with the principles of "Ease of Doing Business".

9. Marketing

The exporting industry will promote and showcase the refurbished deinductionised equipment and weapons in potential markets abroad, with the support of Ministry of External Affairs (MEA) and Indian Missions abroad.

10. Export

Export of the de-inductionized items falling under Category 6 of SCOMET would be authorized in accordance with the extant Standard Operating Procedure issued by the Department of Defence Production.

11. Training & After Sale Support

The exporting industry will arrange the training for importing countries, if necessary, and also ensure the availability of "Spare parts and After Sales Support" as applicable. They may also consider appropriate provisions for warranty/extended warranty.

The liability on account of any contingency with the deinductionized weapon/equipment shall lie with the exporter/purchaser of the item as per their agreement.

12. Implementing Department

- 12.1 The Department of Military Affairs (DMA) and Department of Defence Production (DDP) shall jointly implement the Strategy and guidelines.
- 12.2 DMA will facilitate Project Formulation, Life Assessment, Auction through Services being the owner.
- 12.3 DDP alongwith MEA will facilitate compliance with IPR obligations, marketing and export.

13. Monitoring & Review

- (i) The export of refurbished de-inducted item by the Government or by the industry shall be monitored by D(EPC), Department of Defence Production through a suitable mechanism.
- (ii) The powers to review the Strategy and the Guidelines would vest with the Department of Defence Production.
- (iii) The guidelines will be reviewed periodically or after three years (or in 2024-25), whichever is earlier.

