

# Regulatory Hotline

February 11, 2022

## FOREIGN DRONE IMPORTS RESTRICTED: BOOST FOR MAKE IN INDIA

- India has largely prohibited import of drones
- Import of drone components exempted to encourage domestic drone manufacturing
- Move to incentivise domestic drone manufacturers and boost investments
- Drone imports allowed only for limited activities upon obtaining import authorisations

On February 9, 2022, the Directorate General of Foreign Trade ("DGFT") under the Ministry of Commerce and Industry ("Ministry") issued a notification<sup>1</sup> ("Notification") prohibiting the import of drones in India in Completely Built Up ("CBU"), Completely Knocked Down ("CKD") and Semi Knocked Down ("SKD") forms, with immediate effect. The Notification exempts the import of drones in CBU, SKD or CKD form only for specific purposes and by specific entities subject to an import authorisation issued by the DGFT. Thus, import of drones are now only permitted for:

- Research and Development ("R&D") purposes** by Government entities, educational institutions (recognised by the Central or State Government), government recognised R&D entities, and drone manufacturers.
- Defence and security purposes:** The class of entities which may import drones for defence and security purposes has not been specified.

The Notification, however, provides that import of drone components is permitted.

This development comes close on the heels of the Drone Rules, 2021 ("New Rules")<sup>2</sup>, which were notified on August 25, 2021. The New Rules significantly liberalised the drone regime in India, including removing restrictions on foreign entities from owning, manufacturing and operating drones in India. As per the previous Indian Trade Classification issued by the DGFT, the import of drones was "Restricted"<sup>3</sup> and required prior clearance of the Director General of Civil Aviation ("DGCA") along with an import license from the DGFT. Nano drones which operated below 15 metres above ground level were exempted from this requirement and could be imported without an import license. Our comprehensive analysis of the New Rules is available [here](#), and our comparative research paper on the drones sector in India vis-a-vis global regulations can be accessed [here](#).

While previously, drones could be imported subject to prior clearances, by virtue of the Notification, the import of foreign drones (*including nano drones*) in India is now largely prohibited. As noted above, the import of drone components is permitted.

### KEY TAKEAWAYS

This Notification, along with the recently launched drone Production Linked Incentive ("PLI") scheme<sup>4</sup>, while providing an impetus to manufacturing in India, will also incentivize foreign manufacturers to set up shop in India. This should not only increase employment opportunities but should also lead to a surge in investments in the Indian drone sector. Further, these developments would enable Indian drone start-ups to scale up production and aid the overall growth of drone manufacturing in the country. Nevertheless, it must be evaluated whether Indian drone manufacturers currently have the capability to cater to the entire drone industry (even from a price parity perspective) without relying on imported drones. The industry should maintain competitive price points to bring domestically manufactured drones at par with imported drones. Also, to ensure that a level playing field is created, it is hoped that the DGCA is forthcoming in granting approvals to foreign entities who intend to manufacture in India.

From a short-term perspective, Indian importers who would have placed orders with foreign manufacturers for import of drones would be adversely affected as the Notification will come into effect immediately. As a sound measure, the DGFT, while keeping the interests of the drone importers and manufacturers at the forefront, could have considered implementing the Notification in a phased-out manner. This would have provided the domestic importers / manufacturers the opportunity to comply with the regulatory change systematically.

While some may argue that this is a protectionist approach, it may be viewed as an opportunity for the domestic drone industry to compete with international manufacturers. The move will also incentivize foreign manufacturers to invest in Indian markets and boost the growth of the industry, provided that appropriate regulatory and administrative support is present.

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<sup>1</sup> Notification No. 54/2015-2020 dated February 09, 2022, available at: [https://content.dgft.gov.in/Website/dgftprod/7d5fd1eb-ad39-4c99-b760-014223657469/Eng-Notification%2054%20dated%209%20Feb%202022%20ITC\(HS\)%202022%20\\_with%20Annexures.pdf](https://content.dgft.gov.in/Website/dgftprod/7d5fd1eb-ad39-4c99-b760-014223657469/Eng-Notification%2054%20dated%209%20Feb%202022%20ITC(HS)%202022%20_with%20Annexures.pdf) (last visited on February 10, 2022). The Notification has been issued in sync with the Finance Act, 2022 and notifies the Indian Trade Classification (Harmonised System) of Import Items, 2022 ("**ITC (HS), 2022**") and prohibits the import of drones in certain forms.

<sup>2</sup> Available at <https://egazette.nic.in/WriteReadData/2021/229221.pdf> (last visited on February 10, 2022).

<sup>3</sup> DGFT Import Policy, Schedule I, Chapter 88.

<sup>4</sup> See <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1755157> (last visited on February 10, 2022).

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