

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 notification¹ ("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")², 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"³ 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") scheme⁴, 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.

— Tanya Kukade, Aniruddha Majumdar & Huzefa Tavawalla

Research Papers

Handbook on New Labour Codes

April 29, 2024

Compendium of Research Papers

April 11, 2024

Third-Party Funding for Dispute Resolution in India

April 02, 2024

Research Articles

Private Client Insights - Sustainable Success: How Family Constitutions can Shape Corporate Governance, Business Succession and Familial Legacy

January 25, 2024

Private Equity and M&A in India: What to Expect in 2024?

January 23, 2024

Emerging Legal Issues with use of Generative AI

October 27, 2023

Audio

Third-Party Funding: India & the World

April 27, 2024

IBC allows automatic release of ED attachments: Bombay HC reaffirms

April 15, 2024

The Midnight Clause

February 29, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Q&A 2024 Protocol to the Mauritius India Tax Treaty

April 22, 2024

Boost to India's Space Potential: India Liberalizes Foreign Direct

¹ 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.

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

³ DGFT Import Policy, Schedule I, Chapter 88.

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

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.