GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
RAJYA SABHA
UNSTARRED QUESTION NO.1453
TO BE ANSWERED ON 8th MARCH, 2021

POLICY TO PROMOTE SELF-RELIANCE IN DEFENCE MANUFACTURING

1453 DR. VINAY P. SAHASRABUDDHE:

Will the Minister of DEFENCE be pleased to state:

(a) whether the Ministry has introduced any policies to promote self-reliance in defence manufacturing, if so, the details thereof;

(b) the details of the major policies to ensure self-reliance in defence manufacturing; and

(c) the manner in which such policies affect imports of defence items along with the details thereof?

ANSWER
MINISTER OF STATE IN THE MINISTRY OF DEFENCE
SHRI SHRIPAD NAIK

(a) to (c): A statement is attached.

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STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (c) OF RAJYA SABHA UNSTARRED QUESTION NO. 1453 FOR ANSWER ON 08.03.2021 REGARDING 'POLICY TO PROMOTE SELF-RELIANCE IN DEFENCE MANUFACTURING'.

(a) to (c): The Government has taken several policy initiatives and reforms to promote self-reliance in defence manufacturing. These policy initiatives are aimed at encouraging indigenous design, development and manufacture of defence equipment in the country, thereby reducing dependency on imports in long run. Important policy initiatives and reforms are as under :-

i. DPP 2016 has been revised as Defence Acquisition Procedure (DAP)- 2020, which is driven by the tenets of Defence Reforms announced as part of 'Aatmanirbhar Bharat Abhiyan'.

ii. In order to promote indigenous design and development of defence equipment 'Buy {Indian-IDDM (Indigenously Designed, Developed and Manufactured)}' category was introduced in 2016 and was accorded top most priority for procurement of capital equipment.

iii. Ministry of Defence has notified a 'Negative list' of 101 items for which there would be an embargo on the import beyond the timeline indicated against them. This is a big step towards self-reliance in defence. This offers a great opportunity to the Indian defence industry to manufacture these items using their own design and development capabilities to meet the requirements of the Armed Forces. This list includes some high technology weapon systems like artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars and many other items to fulfil the needs of our Defence Services.

iv. The 'Make' Procedure of capital procurement has been simplified. There is a provision for Government funding up to 70% of the prototype development cost for Design & Development of equipment, systems, major platforms or upgrades thereof. In addition, there are specific reservations for MSMEs under the 'Make' procedure. Recently, the Government has approved enhanced delegation of Financial Powers under Make-I category.

v. Procedure for 'Make-II' category (Industry funded), introduced in DPP-2016 to encourage indigenous development and manufacture of defence equipment has number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc. So far, 56 projects relating to Army, Navy & Air Force, have been accorded 'Approval in Principle'.

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vi. The Government has enhanced FDI in Defence Sector up to 74% through the Automatic Route for companies seeking new defence industrial license and up to 100% by Government Route. The obligatory government approval for existing FDI approval holders / current defence licensees for change in equity / shareholding pattern up to 49% FDI has been replaced with mandatory declaration for the same within 30 days of change of equity / shareholding pattern. The proposals for raising FDI beyond 49% from such companies could also be considered with Government approval.

vii. An innovation ecosystem for Defence titled Innovations for Defence Excellence (iDEX) has been launched in April, 2018. iDEX is aimed at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, Start-ups, Individual Innovators, R&D institutes and Academia and provide them grants/funding and other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs.

viii. An indigenization portal namely SRIJAN has been launched in August, 2020 for DPSUs/OFB/Services with an industry interface to provide development support to MSMEs/Startups/Industry for import substitution. So far, approximately 8,000 Defence items have been uploaded on SRIJAN Portal for indigenization.

ix. "Offset portal" has been launched in May, 2019 to ensure Greater transparency, efficiency and accountability in the process. Reforms in Offset policy have been included in DAP-2020, with thrust on attracting investment and Transfer of Technology for Defence manufacturing, by assigning higher multipliers to them.

x. Government has notified the 'Strategic Partnership (SP)' Model in May, 2017, which envisages establishment of long-term strategic partnerships with Indian entities through a transparent and competitive process, wherein they would tie up with global Original Equipment Manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chains.

xi. Government has notified a 'Policy for indigenisation of components and spares used in Defence Platforms' in March, 2019 with the objective to create an industry ecosystem which is able to indigenize the imported components (including alloys & special materials) and sub-assemblies for defence equipment and platform manufactured in India.

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xii. Government has decided to develop two Defence Industrial Corridors, one each in Uttar Pradesh and Tamil Nadu. As on 28th February, 2021, total investments of Rs. 1007 Cr and Rs. 2072 Cr. have been reported for Uttar Pradesh Defence Industrial Corridor and Tamil Nadu Defence Industrial Corridor respectively. Moreover, the respective State Governments have also published their Aerospace & Defence Policies to attract investments by private players as well as foreign companies including Original Equipment Manufacturers (OEMs) in these two corridors.

xiii. An Inter-Governmental Agreement (IGA) on "Mutual Cooperation in Joint Manufacturing of Spares, Components, Aggregates and other material related to Russian/Soviet Origin Arms and Defence Equipment" was signed in September, 2019. The objective of the IGA is to enhance the After Sales Support and operational availability of Russian origin equipment currently in service in Indian Armed Forces by organizing production of spares and components in the territory of India by Indian Industry by way of creation of Joint Ventures/Partnership with Russian Original Equipment Manufacturers (OEMs) under the framework of the "Make in India" initiative.

xiv. Defence Products list requiring Industrial Licences has been rationalised and manufacture of most of parts or components does not require Industrial License. The initial validity of the Industrial Licence granted under the IDR Act has been increased from 03 years to 15 years with a provision to further extend it by 03 years on a case-to-case basis. As on date, 512 Industrial Licenses have been issued.

xv. Department of Defence Production has notified 46 items under the latest Public Procurement Order 2017 notified by Department for Promotion of Industry and Internal Trade (DPIIT), for which there is sufficient local capacity and competition and procurement of these items shall be done from local suppliers only irrespective of the purchase value.

xvi. Defence Investor Cell (DIC) has been created in February, 2018 the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector. As on 01 February, 2021, 1050 queries had been received and addressed by Defence Investor Cell.

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