

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO.1775
TO BE ANSWERED ON THE 25TH NOVEMBER, 2016

DEFENCE EQUIPMENT

1775. SHRIMATI MAUSAM NOOR:

Will the Minister of DEFENCE j{k k ea=h
be pleased to state:

- (a) the details of the private defence equipment manufacturers and joint ventures involved along with the total investment committed by them in defence manufacturing in the country during the year 2015-16;
- (b) the number of Letters of Intent received by the Government for defence production from private companies in 2014-15;
- (c) whether the Government proposes to relax procedures and existing norms for encouraging private participation;
- (d) if so, the details thereof and if not, the reasons therefor; and
- (e) the details of the ratio component of import and indigenous manufacture of weapons and ammunition during the last three years, category-wise and year-wise?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

रक्षा रणय मंत्री

(DR. SUBHASH BHAMRE)

(डा. सुभाष भामरे)

(a) to (e): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 1775 FOR ANSWER ON 25.11.2016

(a) 75 Industrial Licenses have been issued in defence sector during the year 2015-16 to private defence equipment manufacturers with proposed investment of Rs.4842.22 Crore.

(b) 38 applications have been received for Industrial License for manufacture of defence items from private companies during 2014-15.

(c) & (d): The following major steps have been taken for encouraging private sector participation in defence manufacturing:

- (i) FDI Policy in defence sector has been reviewed in June 2016, and as per the new policy, FDI up to 49% is allowed under automatic route and above 49% under Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded.
- (ii) Defence Products List for industrial licensing, has been notified by DIPP, wherein large number of parts / components, castings / forgings etc. have been excluded from the purview of industrial licensing. Similarly dual use items, having military as well as civilian applications (unless classified as defence item) will also not require Industrial License from defence angle.
- (iii) Initial validity of Industrial License for defence sector has been revised to fifteen years, further extendable upto eighteen years for existing as well as future licenses.
- (iv) Defence Exports Strategy has been formulated and put in public domain. The Standard Operating Procedure (SOP) for issuing NOC for export of military stores has been simplified and made online.
- (v) Original Equipment Manufacturers (OEMs) have been allowed to change Indian Offset partners (IOP). They are also not required to indicate the details of IOPs and products at the time of signing of contracts. Services as an avenue of offset has been re-instated with certain conditions.
- (vi) Exchange Rate Variation protection has been made applicable for Indian private sector at par with Public Sector Undertakings for all categories of capital acquisitions. The preferential treatment given to Defence Public Sector Undertakings (DPSUs) in excise duty / custom duty has been discontinued.
- (vii) Basic Customs Duty of 5% to 10% has been levied on import of defence equipment both by Government and the industry, to discourage the imports and to encourage 'Make in India'.

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- (viii) The Make procedure has been revised to promote indigenous design, development and manufacture of defence equipment / platform required by the armed forces with a view to achieve self-reliance. The revised procedure also provides for enhanced Government funding and preference to MSMEs for certain category of projects.
 - (ix) 'Buy (Indian-IDDM)' category has been introduced in DPP-2016. The category refers to procurement from Indian vendors of product that are indigenously designed and developed and manufactured with 40 per cent indigenous content. If the product is not designed and developed indigenously, it will have to have 60 per cent indigenous content. Further, in the 'Buy (Indian)' category the product should have 40 per cent indigenous content instead of 30 per cent.
 - (x) The Order of Preference is given as 'Buy (Indian-IDDM)', 'Buy (Indian)' and 'Buy and Make (Indian)' over 'Buy & Make' and 'Buy (Global)' in cases of capital acquisition.
 - (xi) The Outsourcing and Vendor Development Guidelines has been promulgated to promote participation of private sector. The guidelines mandate each DPSU and Ordnance Factory Board (OFB) to have a short-term and long-term outsourcing and vendor development plan to gradually increase the outsourcing from Indian private sector.
- (e) The expenditure on purchase of defence equipment for three services in the last three years, from the Foreign and Indian vendors is as given below:

(Rs. in crore)

	Total Procurement	Procurement from Foreign vendors	Procurement from Indian vendors
2013-14	93216.93	38202.66	55014.27
2014-15	77986.32	29159.69	48826.63
2015-16	76178.80	26190.46	49988.34
