

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA

UNSTARRED QUESTION NO.6144
TO BE ANSWERED ON THE 4TH APRIL, 2018

DEFENCE PRODUCTION

6144. KUMARI SUSHMITA DEV:
SHRI GAURAV GOGOI:
SHRI VISHNU DAYAL RAM:
SHRI JYOTIRADITYA M. SCINDIA:

Will the Minister of DEFENCE ज़कक ea=h
be pleased to state:

- (a) whether the targets of Foreign Direct Investment in defence production sector under the 'Make in India' framework during the last three years and the current year have been achieved and if so, the details thereof;
- (b) whether the Government has been importing hardware and software requirements for defence forces and if so, the facts and the details thereof;
- (c) whether the Government has conducted any assessment of decrease in the quantity of defence related imports during the last one year after the implementation of 'Make in India' programme and if so, the details thereof;
- (d) whether the Government's 'Make in India' initiative has completely derailed the defence production industry; and
- (e) if so, the reasons therefor and the steps the Union Government has taken or proposes to take to meet its various procurement challenges in defence sector?

A N S W E R

MINISTER OF DEFENCE

ज़कक ea=h

(SMT. NIRMALA SITHARAMAN)

¼Jherh fueZyk Ihrkje.k)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 6144 FOR ANSWER ON 4.4.2018

(a) No specific targets have been fixed by the government for Foreign Direct Investment (FDI) in Defence Production sector under 'Make in India' program.

(b) & (c): The capital procurement figures are as below:-

(Rs. in crore)

Year	Total Procurement	Procurement from Foreign Vendors	Procurement from Indian Vendors
2014-15	77986.32	29159.69	48826.63
2015-16	76178.80	26190.46	49988.34
2016-17	84260.98	30493.75	53767.23
2017-18 (upto January 2018)	75916.77	30736.74	45180.03

(d) & (e): The steps taken by the government to promote domestic defence manufacturing are as below:

- (i) Defence Procurement Procedure (DDP) has been revised in 2016 wherein specific provisions have been introduced for stimulating growth of the domestic defence industry.
- (ii) A new category of acquisition has been introduced – Buy Indian (IDDM), to promote indigenous design development and manufacturing. Under this category, indigenously designed equipment with minimum of 40% indigenous content (IC), or equipment with 60% IC will be considered for acquisition. This category is the most preferred acquisition category and one rank above the 'Buy (Indian)' category.
- (iii) 'Buy (Indian)' category of acquisition requires a minimum IC of 40% (as compared to 30% in the previous DPP) and in 'Buy and Make (Indian)' category, minimum IC of 50% will be required in Make portion of the scheme. Flexibility has been given to Acceptance of Necessity (AoN) according authority to change percentage of IC.
- (iv) Provisions for involving private industry as Production Agencies and Technology Transfer Partners have been incorporated.
- (v) Government has notified the 'Strategic Partnership (SP)' Model 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.

.....2/-

- (vi) **Make Procedure has been refined to ensure increased participation of Indian industry:**
- (a) **Make procedure now has two sub categories – Make - I (Government funded), Make – II (Industry funded). Make - I (Government funded) – involves 90% funding of the development cost, by the Government and also provision for mobilization advance. Make - II (Industry funded) - does not involve any funding by the Government for prototype development.**
 - (b) **Role of MSMEs has been enhanced with greater involvement in defence manufacturing. Projects in Make-I category upto Rs.10 Crore and in Make-II category up to Rs.3 Crore, have been reserved for MSMEs.**
 - (c) **Recently, Defence Acquisition Council(DAC) has approved separate procedure on Make-II category.**
 - (d) **List of potential ‘Make’ projects has been identified and a two year roll on plan for ‘Make’ cases introduced in the Annual Acquisition Plan (AAP).**
- (vii) **FDI Policy has been revised and under the revised policy, FDI is allowed under automatic route upto 49% and beyond 49% through Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded.**
- (viii) **The Defence Products List for the purpose of issuing Industrial Licenses (ILs) under Industries (Development & Regulation) Act has been revised and most of the components, parts, sub-systems, testing equipment and production equipment have been removed from the list, so as to reduce the entry barriers for the industry, particularly small & medium segment.**
- (ix) **The initial validity of the Industrial License granted under the Industries (Development & Regulation) 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.**
- (x) **Offset guidelines have been made flexible by allowing changes of Indian Offset Partners (IOPs) and offset components, even in signed contracts. Foreign Original Equipment Manufacturers (OEMs) are now not required to indicate the details of IOPs and products at the time of signing of contracts. ‘Services’ as an avenue of offset have been re-instated.**