

### UNSTARRED QUESTION NO.895

## SELF RELIANCE IN DEFENCE PRODUCTION

- (a) whether the country has become self reliant in defence production and if so, the details thereof;
- (b) if not, the reasons therefor and the steps taken / being taken to make the country self reliant along with the time by which it is likely to be done;
- (c) whether the Government proposes to seek suggestions from the Industrial sector specially for the equipments which are being imported and if so, the details thereof and if not, the reasons therefor;
- (d) the details of defence equipment imported and the procurement price of the said equipment during each of the last three years and the current year so far, country-wise;
- (e) whether the Government has fixed any target for importing defence equipments for the current year and the ensuing two years;
- (f) if so, the details thereof along with the funds earmarked for the purpose, year-wise; and
- (g) the details of procurement policies to promote greater collaboration between international defence manufacturers and the Indian private sector in respect of Foreign Direct Investment (FDI)?

A N S W E R  
MINISTER OF STATE (DR. SUBHASH BHAMRE)  
IN THE MINISTRY OF DEFENCE  
रक्षा राय मंत्री (डा. सुभाष भामरे)

**(a) to (g): A statement is attached.**

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**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (g) OF LOK SABHA UNSTARRED QUESTION NO. 895 FOR ANSWER ON 7.2.2018**

1. Self-reliance is a major corner-stone on which the military capability of any nation rests. Accordingly, the Defence Production Policy promulgated by the Government, aims at achieving substantive self-reliance in the design, development and production of equipment, weapon systems, platforms required for defence in as early a time frame possible, creating conditions conducive for private industry to play an active role in this endeavour; enhancing potential of SMEs in indigenisation and broadening the defence R&D base of the country.

2. Defence manufacturing is primarily driven by capital acquisition of defence equipment. Under 'Make in India' initiative of the Government, several measures have been taken to promote indigenous design, development and manufacture of defence equipment in the country by harnessing the capabilities of the public and private sector. These measures include according preference to procurement from Indian vendors under the Defence Procurement Procedure (DPP), simplification of Make procedure, introduction of simplified procedure for Make II sub-category, liberalization of the licensing regime and FDI policy by raising the cap on FDI in the defence sector, simplification of export procedure, streamlining of defence offset guidelines etc. Recently, the 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.

3. The expenditure on purchase of defence equipment from Indian vendors for the three services during the last three years, is as given below:-

**CAPITAL EXPENDITURE:**

(Rs. in crore)

|         | Total Procurement | Procurement from Indian Vendors |
|---------|-------------------|---------------------------------|
| 2014-15 | 65583.77          | 39598.91                        |
| 2015-16 | 62341.86          | 39149.64                        |
| 2016-17 | 69150.12          | 41872.03                        |

4. The Defence Procurement Procedure (DPP) provides various avenues for interaction with the industry. Headquarters Integrated Defence Staff (HQIDS) / Service Headquarters (SHQs), as the case may be, through regular and structured interactions, shares the details of procurement schemes with the industry, and the industry is involved at the feasibility stage itself. Draft Preliminary Services Qualitative Requirements (PSQRs), indicative time frame and envisaged quantities of schemes are shared with the industry. HQIDS / SHQs upload the broad details of the scheme on Ministry of Defence and SHQ websites. The Categorisation committees viz., Services Capital Acquisition Categorisation Committee (SCAPCC) / Services Capital Acquisition Categorisation Higher Committee (SCAPCHC) also invite industry representatives, associations / representatives nominated by industry associations, for presentation and clarifications, as and when required.

5. No target is fixed for import of defence equipment. Defence equipment is being imported from various countries as per the operational requirements of the Armed Forces. During the last three financial years and current year (upto 30.11.17), 119 contracts involving Rs 1,16,523 crore have been signed with Indian vendors and 68 contracts involving Rs.1,24,291 crore have been signed with foreign vendors for capital procurement of Defence equipment for Armed forces including rockets, simulator and component level repair facility for Tanks from Russia, Laser Designation Pods, radars, Pods for aircraft Radios, Weapons for Garuds and Missiles from Israel, Aircraft, Helicopters, Missiles, Artillery Guns and Simulators from USA and Aircraft, Ammunition, High Zone Modules of Bi-Modular Charges from 155mm Guns from France.

6. Department of Industrial Policy & Promotion (DIPP) vide Press Note No.5 (2016 Series) has notified revised FDI policy under which 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. Further, defence industry is subjected to industrial license under Industries (Development & Regulation) Act, 1951 and manufacturing of small arms and ammunition under the Arms Act, 1959 and Arms Rules, 2016. Other conditions as per the said press note are as follows:-

- (i) Infusion of fresh foreign investment within the permitted automatic route level, in a company not seeking industrial license, resulting in change in the ownership pattern or transfer of stake in by existing investor to new foreign investor, will require Government approval.

- (ii) License applications will be considered and licences given by the Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, in consultation with Ministry of Defence and Ministry of External Affairs.**
- (iii) Foreign investment in the sector is subject to security clearance and guidelines of Ministry of Defence.**
- (iv) Investee Company should be structured to be self-sufficient in areas of product design and development. The investee / joint venture company along with manufacture facility should have maintenance and life cycle support facility of the product being manufactured in India.**

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