

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
STARRED QUESTION NO.312
TO BE ANSWERED ON THE 2ND JANUARY, 2019
DEFENCE PRODUCTS

*312. SHRI KUNWAR PUSHPENDRA SINGH CHANDEL:

Will the Minister of DEFENCE जेके एच
be pleased to state:

- (a) the details of the policies regarding the manufacturing of State-of-the-art defence products;
- (b) whether the Government has signed any strategic agreement with private companies regarding the manufacturing of defence products in the country;
- (c) if so, the details thereof; and
- (d) the details of the efforts made by the Government for the transfer of State-of-the-art defence technology to India?

	<u>A N S W E R</u>		
MINISTER OF DEFENCE		(SMT. NIRMALA SITHARAMAN)	
जेके एच		1/4Jherh fueZyk Ihrkje.k)	

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 312 FOR ANSWER ON 2.1.2019

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 small and medium enterprises (SMEs) in indigenisation and broadening the defence R&D base of the country.

2. In view of the aforesaid policy and 'Make in India' initiative, several policy initiatives have been taken for promoting manufacturing of State-of-the-art defence products. These include:-

(a) **Innovations for Defence Excellence (iDEX):** iDEX framework was launched on 12th April 2018 by the Hon'ble Prime Minister during Defexpo India 2018, which aims at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including micro, small and medium enterprises (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.

(b) **Artificial Intelligence (AI):** A multi-stake holder Task Force was constituted by the Ministry to prepare a road map for AI in national security by leveraging the existing AI capabilities and to make recommendations relating to making India a significant power of AI in defence, specifically in the area of aviation, naval, land systems, cyber, nuclear and biological warfare including both defensive and offensive needs including counter AI needs. The Task Force submitted its Report to Hon'ble Raksha Mantri on 30th June, 2018.

(c) **Mission Raksha Gyan Shakti:** The Ministry has instituted a new framework titled 'Mission Raksha Gyan Shakti' which aims to provide a boost to the IPR culture in indigenous defence industry. This would facilitate the migration from the culture of seeking Transfer of Technology (ToT) from foreign sources to generating Intellectual Property in India, to achieve the goal of self-reliance in Defence sector.

(d) **Technology Development Fund:** Government has set up the Technology Development Fund (TDF) scheme, which aims at funding the development of defence and dual use technologies that are currently not available with the Indian defence industry. The focus of this scheme is for development of technologies that can form the Kernel of components / assemblies, which can in turn be used to develop defence equipment.

(e) **Foreign Direct Investment (FDI):** In May 2001, the Defence industry sector, which was hitherto reserved for the public sector, was opened up to 100% for Indian private sector participation, with Foreign Direct Investment (FDI) upto 26% both subject to licensing. Further, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry 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.

(f) **Provisions in Defence Procurement Procedure (DPP-2016):** Additionally, several enabling provisions have been incorporated in the DPP-2016 for promoting manufacture of the State-of-the-art defence products and technologies, which are placed at Annexure-I.

3. During the last three years and the current year (upto October 2018), 121 contracts worth Rs. 73,918 crore have been signed with Indian vendors for procurement of defence equipment for Armed Forces.

**ANNEXURE-I REFERRED IN THE REPLY GIVEN IN THE STATEMENT IN
PARA 2(f) OF LOK SABHA STARRED QUESTION NO. 312 FOR ANSWER
ON 2.1.2019**

(a) **Buy (Indian-IDDM) in Defence Procurement Procedure (DPP-2016):** One of the notable feature of DPP-2016 is the introduction of a new procurement category Buy (Indian-IDDM). This category refers to procurement of defence equipment from Indian vendors of products that are indigenously designed, developed and manufactured.

(b) **'Make' Procedure:** 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 new procedure is likely to give substantial boost to manufacturing of indigenously designed products through collaborative process with Indian industry. In addition, a separate procedure for 'Make-II' sub-category has been notified wherein a number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering suo-moto proposals suggested by industry / individual etc., have been introduced. The Standard Operating Procedure (SOP) for consideration of 'suo-moto' proposals under 'Make-II' sub / category of Capital Acquisition has been promulgated.

(c) **Defence Offsets:** Offset implementation process has been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components, even in signed contracts.

(d) **Strategic Partnership (SP):** 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.

(e) **Buy and Make (Indian):** The Buy & Make (Indian) category has a provision for procurement from an Indian vendor engaged in a tie-up with a foreign OEM, involving Transfer of Technology (ToT) of critical technologies.

(f) **Buy and Make:** The "Buy & Make" category has provision for procurement from a foreign vendor, through an Indian Production Agency (PA), involving Transfer of Technology (ToT) of critical technologies.

(g) **Multiplier for Technology Acquisition by DRDO:** A multiplier up to 3 is permitted in the discharge of offset obligations relating to technology acquisition by DRDO.
