

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

UNSTARRED QUESTION NO.1983
TO BE ANSWERED ON 03rd JULY, 2019

DEFENCE PRODUCTION INFRASTRUCTURE

1983. SHRI RAMESH CHANDER KAUSHIK:
SHRI D.K. SURESH:

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

- (a) whether India imports 65 per cent of its military equipments and its import dependency in the defence sector is significantly high;
- (b) if so, the details thereof along with the amount spent on import of defence equipments during the last three years;
- (c) whether development of the infrastructure of defence production is not as per expectation;
- (d) if so, the details thereof and the reasons therefor;
- (e) the kind of framework being formulated by the Government for developing defence production infrastructure in the country; and
- (f) whether the Government has fixed any time limit in this regard and if so, the details thereof?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

रक्षा राज्य मंत्री

(SHRI SHRIPAD NAIK)

(श्री श्रीपाद नाईक)

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

**STATEMENT IN RESPECT OF PARTS (a) TO (f) OF LOK SABHA
UNSTARRED QUESTION NO. 1983 REGARDING 'DEFENCE
PRODUCTION INFRASTRUCTURE' FOR ANSWER ON 03.07.2019**

1. Capital procurement of defence equipment is undertaken from various domestic as well as foreign vendors as per extant Defence Procurement Procedure (DPP) based on threat perception, operational challenges and technological change and to keep the Armed Forces in a state of readiness to meet the entire spectrum of Security Challenges. Details of defence procurement undertaken during the last three years is given below:-

CAPITAL EXPENDITURE

(Rs. in crore)

	Total Procurement	Procurement from Indian Vendors	Procurement from Foreign Vendors
2016-17	69150.12	41872.03	27278.09
2017-18	72732.28	43696.87	29035.42
2018-19	75920.74	38963.69	36957.06

2. The following steps have been taken for development of defence manufacturing infrastructure, leading to development of Indigenous capabilities in Land, Aero, Missile, Naval and Electronic Systems.

(i) Defence Production in India is led by Ordnance Factories and Defence Public Sector undertakings which have played a huge role in making our country a defence production hub. There are 41 Ordnance Factories and 9 DPSUs in our country contributing to more than Rs.58,000 crores approx. in defence production every year. Government provides support to Defence Public Sector Undertakings and Ordnance Factories to expand their activities.

(ii) Government has issued 439 licenses covering 264 companies till March, 2019. Industrial Licenses are issued for manufacturing of tanks and other armoured fighting vehicles, defence aircraft, space craft and parts thereof, warship, arms and ammunition and allied items of defence equipment, parts and accessories thereof. In addition, for a large number of defence components, no license is required. There are more than 8000 MSMEs which are among the vendor base of OFB & Defence PSUs supplying various items to them.

(iii) 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

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other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs. Under iDEX, innovative solutions have been successfully identified for 14 problem areas pertaining to national defence requirements. More than 600 startups have been engaged in the process and 44 different solutions have been identified for the problem statements by the innovators.

(iv) Government has decided to establish two defence industrial corridors to serve as an engine of economic development and growth of defence industrial base in the country. These are spanning across Chennai, Hosur, Coimbatore, Salem and Tiruchirappalli in Tamil Nadu and spanning across Aligarh, Agra, Jhansi, Kanpur, Chitrakoot and Lucknow in Uttar Pradesh (UP).

3. In addition, the following steps have been taken to achieve substantive self-reliance in defence production for meeting requirements of Armed Forces: -

- i. Defence Procurement Procedure (DPP) has been revised in 2016 wherein specific provisions have been introduced for stimulating growth of the domestic defence industry.
- ii. A new category of procurement 'Buy {Indian-IDDMM (Indigenously Designed, Developed and Manufactured)}' has been introduced in DPP-2016 to promote indigenous design and development of defence equipment. It has been accorded top most priority for procurement of capital equipment. Besides this, preference has been accorded to 'Buy (Indian)', 'Buy and Make (Indian)' & 'Make' categories of capital acquisition over 'Buy (Global)' & 'Buy & Make (Global)' categories.
- iii. 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.
- iv. The 'Make' Procedure has been simplified with provisions for funding of 90% of development cost by the Government to Indian industry and reserving projects not exceeding development cost of Rs.10 Crore (Government funded) and Rs.3 Crore (Industry funded) for MSMEs.

- v. 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 proposals suggested by industry/individual etc., have been introduced. Till date, 36 proposals for development by industry have been given 'in-principle' approval under Make-II.
- vi. 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.
- vii. The Defence Products List for the purpose of issuing Industrial Licenses (ILs) under IDR 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. 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. So far, the process for export clearance has been streamlined and made transparent & online.
- viii. Offset guidelines have been made flexible by allowing change 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.
- ix. Government has set up the Technology Development Fund (TDF) to encourage participation of public/private industries especially MSMEs, through provision of grants, so as to create an eco-system for enhancing cutting edge technology capability for defence applications.
- x. The Ministry has instituted a new framework titled 'Mission Raksha Gyan Shakti' which aims to provide boost to the IPR culture in indigenous defence industry.
- 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. Defence Investor Cell has been created in the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector.

4. As a result of the above measures for the development of infrastructure for defence production, the following capabilities have been created in Naval System, Aero System, Missile System, Electronic System and Land System;

SI No	Types of System	Products
1.	Naval System	Scorpene Submarines, Destroyers, Frigates, Corvettes, Bailey bridges, Offshore Patrol Vessel, Fast Patrol Vessel, Frigates, Fleet Support Ship, Ocean Surveillance Ship, Manufacture of all type of ships etc.
2.	Aero System	LCA, Su-30 MKI, Mirage Upgrade, ALH, LCH, UAVs, Aero engines, Accessories & Avionics, etc.
3.	Missile System	Akash Weapon System (SAM), Anti-Tank Missile Systems (ATGM): Invars, Konkurs, Long Range SAM, Medium Range SAMs, Torpedos etc.
4.	Land System	Tanks, Artillery Guns, Small arms, range of ammunition, Explosives & Propellants, Military Vehicles, Instruments & Optical devices, Parachutes, Troop comfort & General Stores, High Mobility Trucks, Combat Mobility Vehicles etc.
5.	Electronic System	Radars, Electronic systems for missiles, Coastal Surveillance Systems, Electronic fuzes, Electronics for missile systems, SDRs etc.
