

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO.3892
TO BE ANSWERED ON 17th JULY, 2019

DEFENCE PSUs

3892. SHRI SRIRANGA APPA BARNE:
SHRI BENNY BEHANAN:
SHRI VINAYAK RAUT:
SHRI GIRISH BHALCHANDRA BAPAT:
DR. SHRIKANT EKNATH SHINDE:

Will the Minister of DEFENCE be pleased to state:

- (a) whether the issue of the Defence PSUs reportedly being given undue preference by the Ministry for large orders has been raised by different quarters and if so, the details thereof;
- (b) whether there is an inherent conflict of interest that prevents full unlocking of the 'Make in India' initiative and if so, the facts thereof;
- (c) whether Union Government is examining recommendations by top two advisory bodies to move public sector units out of the supervision of the Defence Ministry;
- (d) if so, the details thereof and the reaction of the Government thereto;
- (e) whether National Security Advisory Board (NSAB) has recommended restructuring of the Defence Ministry to promote 'Make in India' if so, the details thereof and the response of the Government thereto; and
- (f) the other steps taken or proposed to be taken by the Union Government to keep Defence manufacturing on a competitive basis, in which both PSUs and private industry may participate?

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 (b): No, Sir.

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(c) No such recommendations have been received by this Ministry.

(d) Does not arise.

(e) National Security Advisory Board (NSAB) has not made any formal recommendation on restructuring the Ministry of Defence.

(f) As per Annexure.

ANNEXURE REFERRED TO IN REPLY TO PART (f) OF LOK SABHA UNSTARRED QUESTION NO. 3892 FOR ANSWER ON 17.07.2019 REGARDING 'DEFENCE PSUs'.

The following steps have been taken by Ministry of Defence to promote Defence Manufacturing on a competitive basis, in which both PSUs and private industry may participate:

- 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-IDD (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.
- vi. 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).
- vii. 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 other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs.

- viii. 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
- ix. 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.
- x. 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.
- xi. 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, 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.
- xii. The process for export clearance has been streamlined and made transparent & online.
- xiii. 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.
- xiv. Excise duty exemption to DPSUs was withdrawn to make Level Playing field with Private Industries.
