

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO.2758
TO BE ANSWERED ON 4th December, 2019

INDIGENOUS PRODUCTION OF WEAPONS

2758. SHRI PINAKI MISRA:

Will the Minister of DEFENCE be pleased to state:

- (a) the steps taken/being taken to indigenise the production of critical weapons in India;
- (b) whether any plan is in place to boost India's defence exports in the medium to long term;
- (c) if so, the details thereof; and
- (d) the steps being taken to encourage the growth of start-ups in the defence ecosystem?

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 (d): A statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO. 2758 FOR ANSWER ON 04.12.2019 REGARDING 'INDIGENOUS PRODUCTION OF WEAPONS'

(a): Government has taken following steps to indigenise the production of critical weapons in India:-

- i. A new category of procurement 'Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured)}' has been introduced in Defence Procurement Procedure (DPP)-2016 to promote indigenous design and development of defence equipment. It has been accorded top most priority for procurement of capital equipment.
- ii. The 'Make' Procedure has been simplified with provisions for funding of 90% of development cost by the Government to Indian industry and reserving Government funded Make-I projects not exceeding development cost of Rs.10 Crore & procurement cost Rs. 50 Crore per year for MSMEs. The industry funded Make-II Projects not exceeding development cost of Rs.3 Crore & procurement cost Rs. 50 Crore per year have also been reserved for MSMEs.
- iii. Separate procedure for 'Make-II' category has been notified under DPP to encourage indigenous development and manufacture of defence equipment. 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 in this procedure.
- iv. 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.
- 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.
- 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. 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.
- viii. 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. They span across Chennai, Hosur, Coimbatore, Salem and Tiruchirappalli in Tamil Nadu and spanning across Aligarh, Agra, Jhansi, Kanpur, Chitrakoot and Lucknow in Uttar Pradesh (UP).
- ix. A Policy on 'Utilisation of Third Party Inspection Services' has been notified in May, 2018 for effective administration of inspection Services with involvement of third parties and promote Ease of Doing Business for MSMEs and private sector.
- x. 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 allowed to provide the details of IOPs and products after signing of contracts. In order to bring more transparency and efficiency into the Offset discharge process, "Offset portal" has been created in May, 2019.
- xi. The Ministry has instituted a new framework titled 'Mission Raksha Gyan Shakti' in November, 2018 which aims to provide boost to the Intellectual Property Rights (IPR) culture in indigenous defence industry.
- xii. Defence Investor Cell has been created in February, 2018 in the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector.
- xiii. Defence Products list requiring Industrial Licences has been rationalised and manufacture of most of parts or components does not require Industrial License. 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.
- xiv. Department of Defence Production has notified 112 items under Public Procurement Order 2017 issued by Department for Promotion of Industry and Internal Trade (DPIIT). The Defence PSUs and OFB are thereby required to give preference to domestic manufacturers while procuring these items in accordance with the said policy.

As a result of the aforesaid initiatives undertaken, the Government in the last five years i.e. from 2014-15 to 2018-19 and current year till September, 2019, has accorded Acceptance of Necessity (AoN) to 218 proposals, worth Rs. 409,244 Crore approximately, under various categories of Capital procurement which promotes domestic manufacturing as per DPP-2016.

(b) & (c) :Following policy initiatives have been undertaken by the Government to promote Defence Exports:-

- i. Standard Operating Procedure (SOP) for the export of munitions list items has been simplified to reduce the processing time for export authorisations.
- ii. A completely end-to-end online portal for receiving and processing authorisation permission has been developed. The applications submitted on this portal are digitally signed and the digitally signed authorisation are issued.
- iii. The Government has notified the Open General Export License (OGEL) - a onetime export license, which permits the industry to export specified items to specified destinations, enumerated in the OGEL, without seeking export authorisation on case to case basis during the validity of the OGEL.
- iv. Scheme for Promotion of Defence Exports has been notified to provide an opportunity to the prospective exporters an option to get their product certified by the Government and provides access to the testing infrastructure of Ministry of Defence for initial validation of the product and its subsequent field trials. The certificate can be produced by the prospective exporter for marketing their products suitably in the global market.
- v. A separate Cell has been formed in the Department of Defence Production to co-ordinate and follow up on export related action including enquiries received from various countries and facilitate private sector and public sector companies for export promotion.
- vi. Defence Attaches are tasked to take up actions for promoting exports of Indian made defence products both of public and private sector in the countries to which they are attached.
- vii. DRDO provides all necessary support to the industries for export of DRDO designed & developed product(s). DRDO has evolved a compendium of “DRDO Developed Product with Potential for Export”, which provides the necessary and handy information about the products ready for export.

(d). Following steps have been taken to encourage the growth of start-ups in the defence eco-system:

- i. The 'Make-II' procedure has been simplified to encourage wider participation of Indian industry. The 'Start-up' recognized by Department for Promotion of Industry and Internal Trade (DPIIT) from time to time, are eligible to participate under 'Make-II' procedure.
- ii. Innovations for Defence Excellence (iDEX) launched by Ministry 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.
- iii. Defence Research & Development Organisation (DRDO) has evolved a new industry friendly ToT policy for transfer of DRDO developed technologies to industries. DRDO has also promulgated new patent policy to facilitate Indian industries to get free access to use DRDO patents.
- iv. DRDO has launched Technology Development Fund (TDF) which provides financial support to the Indian industries for the design, development of innovative defence products.
