

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO.603
TO BE ANSWERED ON 20th November, 2019

PRODUCTION OF DEFENCE EQUIPMENT

603. SHRI RAJIV PRATAP RUDY:

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Government has been successful in boosting domestic production of defence equipment under the “Make in India” scheme;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) whether the Government has taken/is taking any steps/measures to boost production of defence equipments in the country and if so, the details thereof;
- (d) whether the country’s defence imports are likely to reduce in the next three years as a result of those steps/measures, if so, the details thereof and if not, the reasons therefor; and
- (e) the details of the imports and exports made by the Government in the defence sector during the last five years, year-wise?

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 (e): A statement is laid on the Table of the House.

STATEMENT IN RESPECT OF PARTS (a) TO (e) OF LOKSABHA UNSTARRED QUESTION NO. 603 REGARDING “PRODUCTION OF DEFENCE EQUIPMENT” FOR ANSWER ON 20.11.19

(a) to (c): In pursuance of ‘Make in India’ initiative of the Government, following policy measures have been taken by Ministry of Defence: -

- 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. 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.
- 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. 24 contracts have been signed so far by the implementing agency -Defence Innovation Organisation (DIO).
- v. 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 Cr per year for MSMEs. The industry funded Make-II Projects not exceeding development cost of Rs.3 Crore & procurement cost Rs. 50 Cr per year have also been reserved for MSMEs.
- vi. 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. Till date, 44 proposals have been accorded Acceptance in Principle.

- vii. 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.
- 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. 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).
- x. 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.
- xi. 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.
- xii. 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.
- xiii. Defence Investor Cell has been created in Feb-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.
- xiv. 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.

- xv. The process for export clearance has been streamlined and made transparent & online. An Export Promotion Cell has been setup 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.
- xvi. Department of Defence Production has notified 112 items under Public Procurement Order 2017 notified 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.
- xvii. In the last five years from 2014-15 to 2018-19 and current year till Sept 2019, Government 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.
- (d) & (e): The aforesaid policy initiatives are aimed at reducing import of defence equipment and achieve substantive self-reliance in defence manufacturing. The values of import & export of defence equipment in the last five years are given below:

(Value in Rs Cr)

Year	Capital & Revenue Expenditure through Foreign sources (Based on data received from CGDA)	Value of Defence Exports (Based on the value of Authorization/Licence issued by DDP to Private companies and actual export by DPSUs/OFB)
2014-15	29222.3	1940.64
2015-16	26190.46	2059.18
2016-17	30483.78	1521.91
2017-18	33413.31	4682.36
2018-19	42974.1	10745.77
