

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO.1407
TO BE ANSWERED ON 10th February, 2021

STARTUPS IN DEFENCE PRODUCTION

1407. SHRI UNMESH BHAIYYASAHEB PATIL:
DR. SUJAY RADHAKRISHNA VIKHEPATIL:
DR. HEENA GAVIT:
SHRI DHAIRYASHEEL SAMBHAJIRAO MANE:
DR. SHRIKANT EKNATH SHINDE:

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

- (a) whether the Government has seen a surge in startups dealing with defence production and indigenisation of imported equipment in the last three years;
- (b) if so, whether the Government has been working to remove entry barriers for startups in defence domain;
- (c) if so, the details thereof along with the financial or any other assistance provided to these startups during the last three years;
- (d) whether any challenges are being faced by the Government in boosting defence related startups, if so, the details thereof; and
- (e) the manner in which the Government plans to address there challenges?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

(SHRI SHRIPAD NAIK)

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

STATEMENT REFERRED TO IN THE REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 1407 FOR ANSWER ON 10.02.2021 REGARDING 'STARTUPS IN DEFENCE PRODUCTION'

(a) Yes, Sir

(b) to (e): The following initiatives have been taken by the Government to remove entry barriers for private industry including start-ups in the defence domain:

1. Innovations for Defence Excellence (iDEX) framework, was launched in April, 2018, with the aim for achieving self-reliance and to foster innovation and technology development in Defence and Aerospace by engaging Industries including Micro, Small & Medium Enterprises (MSMEs), startups, individual innovators, R&D institutes and academia. Under iDEX, the projects or problem statements are identified based on the requirements projected by the Armed Forces, OFB & DPSUs. The selected applicants are eligible for grants upto Rs. 1.50 Crore for development of the prototypes.
2. In the Defence Acquisition Procedure (DAP) 2020, the Capital Acquisition cases with Acceptance of Necessity (AoN) cost not exceeding Rs. 100 Crore have been reserved for MSMEs, provided there are at least two or more MSMEs eligible to participate in the category.
3. Projects under the 'Make' categories, with procurement not exceeding Rs. 100 Crore/year based on delivery schedule at the time of seeking AoN have been earmarked for MSMEs.
4. The 'Make-II' procedure has been simplified to encourage wider participation of Indian industry, with impetus on MSMEs/startups and timely induction of equipment into the Indian Armed Forces. The 'Startups' recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) from time to time, are eligible to participate under 'Make-II' procedure. In addition, the framework for implementation of 'Make-II' at Ordnance Factory Board (OFB) and Defence Public Sector Undertaking (DPSU) level has also been notified. More than 2500 items have been notified by OFB and DPSUs for development under 'Make-II'.
5. Department of Defence Production (DDP) has notified 46 items under the latest Public Procurement Order 2017 notified by DPIIT, for which there is sufficient local capacity and competition and procurement of these items shall be done from local suppliers only irrespective of the purchase value.
6. The Government has notified a 'Policy for indigenisation of components and spares used in Defence Platforms' in March, 2019 with the objective to create a domestic industry ecosystem.

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7. Industrial licensing regime for Indian manufacturers in Defence sector has been liberalized. This has reduced entry barriers for new entrants in defence sector, particularly SMEs.
8. The Government has enhanced Foreign Direct Investment (FDI) in Defence Sector up to 74% through the Automatic Route for companies seeking new defence industrial license and up to 100% by Government Route wherever it is likely to result in access to modern technology or for other reasons to be recorded. The obligatory government approval for existing FDI approval holders / current defence licensees for change in equity / shareholding pattern up to 49% FDI has been replaced with mandatory declaration for the same within 30 days of change of equity / shareholding pattern. The proposals for raising FDI beyond 49% from such companies could also be considered with Government approval.
9. Defence Research & Development Organisation (DRDO) has evolved a new industry friendly Transfer of Technology (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.
10. DRDO has launched a program termed as Technology Development Fund (TDF) for meeting the requirements of Tri-Services, Defence Production and DRDO. The scheme has been established to promote self-reliance in Defence Technology as a part of the 'Make in India' initiative by encouraging participation of public/private industries especially MSMEs, including startups.
11. A Defence Investor Cell (DIC) was set up by the Department of Defence Production in January, 2018 to provide help, support and guidance to defence industry, MSMEs and startups.
12. During 2017-2018, DDP had notified 275 items which were previously exclusively sourced from OFB, for sourcing from open industry and 141 items have been placed on Government e-Marketplace (GeM).
13. Testing facilities: The Test facilities/ infrastructure available with various Government agencies (OFB, DPSUs, DRDO, Directorate General Quality Assurance (DGQA), Directorate General of Aeronautical Quality Assurance (DGAQA) & Service Head Quarters (SHQs)) have been made available to private sector with the objective to assist them in design & development of defence systems. The details of test facilities, procedure and other 'Terms & Conditions' are available on websites of the respective Government Agencies.

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14. 'Third Party Inspection (TPI) of Defence Stores: To align with the Government of India initiative to promote Ease of Doing Business for MSMEs and private sector and achieve national vision of "Make in India", the Department has formulated Policy Document on 'Utilisation of Third Party Inspection Services' for effective administration of inspection function of out-sourced work with involvement of third parties for inspection services.
15. Mission Raksha Gyan Shakti: This Mission was launched with the objective to encourage Intellectual Property Rights (IPR) for self-reliance in defence. IPR is the key enabler for developing an ecosystem of innovation and indigenization. As a part of Mission Raksha Gyan Shakti, an IPR Division has been constituted in DDP.
16. An indigenization portal namely 'SRIJAN' has been launched in August, 2020 for DPSUs/OFB/Services with an industry interface to provide development support to MSMEs/Startups/Industry for import substitution.
