

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
DEPARTMENT OF DEFENCE PRODUCTION  
**LOK SABHA**  
**UNSTARRED QUESTION NO.1444**  
TO BE ANSWERED ON 10<sup>th</sup> February, 2021

**DEFENCE EXPORTS**

1444. SHRIMATI MANEKA SANJAY GANDHI:

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Government is considering to take steps to achieve the target of five billion USD of defence export;
- (b) if so, the details thereof;
- (c) whether the Government is planning to bring new defence policy initiatives in the near future; and
- (d) if so, the details of the steps taken by the Government to improve Indian defence products and make them competitive globally?

**A N S W E R**

MINISTER OF STATE  
IN THE MINISTRY OF DEFENCE

(SHRI SHRIPAD NAIK)

(a) & (b): Various reforms/steps have been taken to enhance Defence exports. These reforms have provided a big boost to defence export in recent times. The steps taken to promote defence exports is at **Annexure-I**.

(c) & (d): Steps taken by the Government to improve Indian defence products is at **Annexure – II**.

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**ANNEXURE-I REFERRED TO IN REPLY TO PARTS (a) & (b) OF LOK SABHA UNSTARRED QUESTION NO. 1444 FOR ANSWER ON 10.02.2021 REGARDING 'DEFENCE EXPORTS'.**

**Measures taken by the Government to promote Defence exports**

- (i) Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) Category 6 titled "Munitions List" that was hitherto "Reserved" has been populated and Military Stores list notified vide Notification No.115(RE-2013)/2009-2014 dated 13th March, 2015 stands rescinded.
- (ii) The Director General of Foreign Trade (DGFT) vide Public Notice No. 4/2015-20 dated 24th April, 2017, notified Department of Defence Production (DDP) as the Licensing Authority for export items in Category 6 of SCOMET. The export of items specified in Category 6 (Munitions List) except those covered under Notes 2 & 3 of Commodity Identification Note (CIN) of the SCOMET is now governed by the Standard Operating Procedure issued by the Department of Defence Production (DDP), Ministry of Defence.
- (iii) Standard Operating Procedure (SOP) for the export of munitions list items has been modified and placed on the website of the DDP.
- (iv) 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 authorisation issued is also digitally signed.
- (v) In repeat orders of same product to the same entity, consultation process has been done away with and permission is issued immediately. For the repeat order of same product to different entity, the consultation earlier done with all stakeholders is now limited only with MEA.
- (vi) In Intra-Company business (which is especially relevant for outsourcing of work by defence related parent company abroad to its subsidiary in India), the earlier requirement of getting End User Certificate (EUC) from the Government of importing country has been done away with and 'Buying' Company is authorized to issue the EUC.
- (vii) The legitimate export of the parts and components of small arms and body armour for civil use are now being permitted after prior consultation with MEA.
- (viii) For export of items for exhibition purposes, the requirement of consultation with stakeholders has been done away with (except for select countries).

- (ix) Powers have been delegated to DRDO, DGOF, and CMD's of DPSUs for exploring export opportunities and participation in global tenders.
- (x) New End User Certificate Format for Parts & Components has been provided in SOP.
- (xi) Validity of Export Authorization has been increased for 02 years to date of completion of order/component whichever is later.
- (xii) A new provision for re-exporting parts and components for undertaking repair or rework to provide replacement for a component under warranty obligation is inserted in the SOP as a sub-classification of repeat orders.
- (xiii) MHA vide Notification dated 1.11.2018 has delegated its powers to this Department to issue export license under Arms Rules 2016 in Form X-A, for parts & components of small arms. With this the Department of Defence Production becomes the single point of contact for exporter for export of parts and components of Small Arms & Ammunitions.
- (xiv) The Government has notified the Open General Export License (OGEL) - a one time export license, which permits the industry to export specified items to specified destinations, enumerated in the OGEL, without seeking export authorisation during the validity of the OGEL.
- (xv) 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 Govt. 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.
- (xvi) 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.
- (xvii) A Scheme to provide financial support to Defence Attaches for taking up actions for promoting exports of Indian made defence products both of public and private sector in the countries to which they are attached has been notified.

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**ANNEXURE-II REFERRED TO IN REPLY TO PARTS (c) & (d) OF LOK SABHA UNSTARRED QUESTION NO. 1444 FOR ANSWER ON 10.02.2021 REGARDING 'DEFENCE EXPORTS'.**

**Initiatives undertaken to promote 'Make in India' in Defence Sector: -**

- i. DPP 2016 has been revised as Defence Acquisition Procedure (DAP)- 2020, which is driven by the tenets of Defence Reforms announced as part of 'Aatmanirbhar Bharat Abhiyan'.
- ii. In order to promote indigenous design and development of defence equipment 'Buy {Indian-IDDM (Indigenously Designed, Developed and Manufactured)}' category was introduced in 2016 and was accorded top most priority for procurement of capital equipment.
- iii. Ministry of Defence has notified a 'Negative list' of 101 items for which there would be an embargo on the import beyond the timeline indicated against them. This is a big step towards self-reliance in defence. This would offer a great opportunity to the Indian defence industry to manufacture these items using their own design and development capabilities to meet the requirements of the Armed Forces in the coming years. This list includes some high technology weapon systems like artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars and many other items to fulfil the needs of our Defence Services.
- iv. The 'Make' Procedure of capital procurement has been simplified. There is a provision for funding upto 70% of development cost by the Government to Indian industry under Make-I category. In addition, there are specific reservations for MSMEs under the 'Make' procedure.
- v. Procedure for 'Make-II' category (Industry funded), introduced in DPP-2016 to encourage indigenous development and manufacture of defence equipment has number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc. So far, 55 projects relating to Army, Navy & Air Force, have been accorded 'Approval in Principle', valuing about Rs. 30,000 Crores.
- vi. The Government of India has enhanced 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.

- 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. 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.
- ix. “Offset portal” has been created in May, 2019 to ensure greater transparency, efficiency and accountability in the process. Reforms in Offset policy have been included in DAP-2020, with thrust on attracting investment and Technology for Defence manufacturing.
- x. Government has notified the ‘Strategic Partnership (SP)’ Model in May, 2017, 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.
- 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.
- xii. An Inter-Governmental Agreement (IGA) on “Mutual Cooperation in Joint Manufacturing of Spares, Components, Aggregates and other material related to Russian/Soviet Origin Arms and Defence Equipment” was signed in September 2019. The objective of the IGA is to enhance the After Sales Support and operational

availability of Russian origin equipment currently in service in Indian Armed Forces by organizing production of spares and components in the territory of India by Indian Industry by way of creation of Joint Ventures/Partnership with Russian Original Equipment Manufacturers (OEMs) under the framework of the “Make in India” initiative.

- 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. About 500 Industrial Licenses have been issued so far.
- xiv. Department of Defence Production has notified 46 items under the latest Public Procurement Order, 2017 notified by Department for Promotion of Industry and Internal Trade (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.
- xv. Defence Investor Cell has been created in February, 2018 the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector.

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