

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO.2548
TO BE ANSWERED ON 4th August, 2021

BOOSTING DOMESTIC PRODUCTION OF DEFENCE EQUIPMENT

2548. 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 Equipment 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

(SHRI AJAY BHATT)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 2548 FOR ANSWER ON 04.08.2021 REGARDING 'BOOSTING DOMESTIC PRODUCTION OF DEFENCE EQUIPMENT'.

(a) to (c): The Government has taken several policy initiatives and brought reforms to encourage indigenous design, development and manufacture of defence equipment in the country, thereby reducing dependency on imports in coming years. These initiatives, inter-alia, include according priority to procurement of capital items from domestic sources under Defence Acquisition Procedure (DAP)-2020; Notification of two 'Positive Indigenisation Lists' of total 209 items for which there would be an embargo on the import beyond the timeline indicated against them; Simplification of Industrial licensing process with longer validity period; Liberalisation of FDI policy allowing 74% FDI under automatic route; Simplification of Make Procedure; Launch of Innovations for Defence Excellence (iDEX) scheme involving start-ups & MSMEs; Implementation of "Public Procurement (Preference to Make in India), Order 2017"; Launch of an indigenization portal namely SRIJAN to facilitate indigenisation by Indian Industry including MSMEs; Reforms in Offset policy with thrust on attracting investment and Transfer of Technology for Defence manufacturing by assigning higher multipliers; Establishment of two Defence Industrial Corridors one each in Uttar Pradesh and Tamil Nadu.

In addition, for 2021-22, the allocation for Domestic procurement has been enhanced compared to previous years and is planned to be about 64.09 % i.e. Rs. 71,438.36 Crore of the allocated amount for military modernization.

Further, year-wise annual Turnover of Ordnance Factory Board (OFB), 09 Defence Public Sector Undertakings (PSUs), 06 other PSUs & 37 private companies manufacturing defence items, indicates the impact of measures taken by the Government to make successful "Make in India". The year-wise details of annual Turnover of these units are as below:

| Financial Year | Total Value in Rs Crore |
|-----------------------|--------------------------------|
| 2016-2017 | 74054 |
| 2017-2018 | 78820 |
| 2018-2019 | 81121 |
| 2019-2020 | 78569 |
| 2020-2021 | 84694 |

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(d)& (e): The measures taken by Government for Indigenisation are likely to result in import substitution. On the basis of data received from Controller General of Defence Accounts (CGDA), the details of procurement of defence equipment (both Capital and Revenue) by the three Services (Army, Navy and Air Force), in the last three years which indicates decrease in imports, are as follows:

(Value in Rs Crore)

| Year | Total expenditure on Procurement (both capital and revenue) | Expenditure on Procurement (both capital and revenue) from <u>Domestic sources</u> | %age of expenditure on Procurement (both capital and revenue) from Domestic sources |
|-----------|---|--|---|
| 2018-2019 | 93474 | 50500 | 54.0 |
| 2019-2020 | 108340 | 63722 | 58.8 |
| 2020-2021 | 139341 | 88632 | 63.3 |

Further. the details of procurement of defence equipment (both Capital and Revenue) done from foreign sources by the three Services (Army ,Navy and Air Force) , in the last five years are as follows:

(Value in Rs Crore)

| Year | Expenditure on Procurement (both capital and revenue) from <u>Foreign sources</u> |
|-----------|---|
| 2016-2017 | 30494 |
| 2017-2018 | 33413 |
| 2018-2019 | 42974 |
| 2019-2020 | 44618 |
| 2020-2021 | 50709 |

Moreover, value of Export Authorization issued by Department of Defence Production to DPSUs/OFB and Private companies, during the last five years has been as under:

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|----------|---------|---------|
| Value of Export Authorisation (Rs. in Crores) | 1521.91 | 4682.36 | 10745.77 | 9115.55 | 8434.84 |
