

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
STARRED QUESTION NO.130
TO BE ANSWERED ON THE 4TH MARCH, 2016
DEFENCE PRODUCTION BY PSU

*130. SHRI SHRIRANG APPA BARNE:
SHRI ANANDRAO ADSUL:

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

- (a) whether as per study undertaken recently the Hindustan Aeronautics Limited, Bharat Electronics Limited, Bharat Dynamics Limited and Mishra Dhatu Nigam Limited are enjoying virtual monopoly in defence aerospace sector, if so, the details thereof;
- (b) whether these PSUs have been booking profits over the years by taking huge advances from the vendors against future deliveries and showing them as profits;
- (c) whether the Government has taken cognizance of these matters and if so, the outcome thereof; and
- (d) the steps taken by the Government to make India as a major aerospace manufacturer hub?

A N S W E R

MINISTER OF DEFENCE
j{k k ea=h

(SHRI MANOHAR PARRIKAR)
¼Jh euksgj ijhZdj½

(a) to (d): A Statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA
STARRED QUESTION NO. 130 FOR ANSWER ON 4.3.2016**

(a) In defence aerospace sector the requirements are being met through Hindustan Aeronautics Limited (HAL), other Defence Public Sector Undertakings (DPSUs), and domestic private sector and by procurement from foreign sources. HAL is the single largest domestic manufacturer in the aerospace sector.

(b) No, Madam.

(c) Does not arise in view of (b) above.

(d) Government has taken various steps to encourage indigenization of defence manufacturing including defence aerospace as follows:-

- (i) Preference to 'Buy (Indian)', 'Buy & Make (Indian)' & 'Make' categories of capital acquisition over 'Buy & Make' or 'Buy (Global)' categories in Defence Procurement Procedure.
- (ii) Foreign Direct Investment Policy (FDI) under which Foreign investment Cap upto 49% and above 49% under Government route on case to case basis wherever it is likely to result in access to modern and state-of-the-art technology in the country. The foreign investment in defence sector is further subject to industrial license under the Industries (Development & Regulation) Act, 1951.
- (iii) Industrial licensing regime for Indian manufacturers has been liberalized and most of the components / parts / sub-systems have been taken out from the list of defence products requiring Industrial Licence. This has reduced entry barriers for new entrants in this sector, particularly small and medium Enterprises. The initial validity of Industrial Licence has been increased from 3 years to 15 years with a provision to further extend it by 3 years on a case to case basis.
- (iv) Inclusion of Design, Development, Manufacture and Upgrade of all types of fixed wing and rotary wing aircraft or their airframes, aero engines, avionics, instruments and related components in the list of eligible products / services for discharge of offset obligations.
- (v) Issues related to level-playing field between Indian vs. foreign manufacturers and public sector vs. private sector have also been addressed. These include Exchange Rate Variation (ERV) protection for Indian vendors, offset obligation in 'Buy (Global) cases, Excise / Custom duties on defence equipment, etc.
