

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
DEPARTMENT OF DEFENCE PRODUCTION  
LOK SABHA

UNSTARRED QUESTION NO.2485  
TO BE ANSWERED ON THE 11<sup>TH</sup> MARCH, 2016

MANUFACTURING OF DEFENCE EQUIPMENT

2485. SHRI MANSHANKAR NINAMA:

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

- (a) the value of the defence equipment manufactured in the country during the last three years;
- (b) whether there is a proposal to manufacture defence equipment in the country under the Make in India Mission; and
- (c) if so, the details thereof?

A N S W E R

MINISTER OF STATE  
IN THE MINISTRY OF DEFENCE

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(RAO INDERJIT SINGH)

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(a) to (c): A Statement is attached.

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**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA UNSTARRED QUESTION NO. 2485 FOR ANSWER ON 11.3.2016**

(a) The Value of Procurement of defence items (both Capital & Revenue) by the Armed forces, from Indian sources in the last three years is tabulated below:

(Rs in Crore)

Year	2012-13	2013-14	2014-15
Value of procurement from Indian sources	52719	55014	49531

**(b) & (c):** Under 'Make in India' programme, the Government proposes to encourage manufacturing of defence equipment in the country through various policy initiatives which, *inter-alia*, include the following:

(i) Preference to 'Buy (Indian)', 'Buy and Make (Indian)' & 'Make' categories of capital acquisition over 'Buy & Make (Global)' or 'Buy (Global)' categories in Defence Procurement Procedure.

(ii) Foreign Direct Investment (FDI) Policy under which Foreign Investment upto 49% is allowed through automatic route and above 49% under Government route on case-to-case basis, wherever it is likely to result in access to modern and 'state-of-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 licencing regime for Indian manufacturers has been liberalised 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) 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 obligations in 'Buy (Global)' cases, Excise/ Custom duties on defence equipment, etc.

(v) Offset implementation process has 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 not required to indicate the details of IOPs and products at the time of signing of contracts. Services as an avenue for discharge of offsets, have been re-instated.

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