

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO.4426
TO BE ANSWERED ON THE 12TH AUGUST, 2016
AVIATION EQUIPMENT

4426. SHRI JANAK RAM:

Will the Minister of DEFENCE जिकक ea=h
be pleased to state:

- (a) whether the country is self-reliant in the production of aviation equipment for the Indian Armed Forces;
- (b) if so, the details thereof;
- (c) if not, the reasons therefor; and
- (d) the corrective measures taken by the Government in this regard?

A N S W E R

MINISTER OF DEFENCE
जिकक ea=h

(SHRI MANOHAR PARRIKAR)
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(a) to (d): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO. 4426 FOR ANSWER ON 12.8.2016

1. The requirements of Aviation equipment for the Indian Armed Forces are met through both indigenous production and imports. The production details of Aviation equipment are not compiled separately. However, the details of the total procurements of defence equipment from Indian Vendors and Foreign Vendors for the Armed Forces in the last two years are placed at Annexure.

2. The Defence Production Policy promulgated in 2011, aims at achieving substantive self-reliance in the design, development and production of equipment, weapon systems, platforms required for defence in as early a time frame as possible; creating conditions conducive for the private industry to take an active role in this endeavour; enhancing potential of Small and Medium Enterprises (SMEs) in indigenisation and broadening the defence R&D base of the country. In pursuance of the aforesaid Policy and 'Make in India' initiative of the Government, following steps have been taken to build a strong defence industrial base in the country:-

- (a) In order to promote indigenous design and development of defence equipment, a new category of procurement 'Buy (Indian-IDDM)' has been introduced in Defence Procurement Procedure-2016 and the same has been accorded top most priority for procurement of capital equipment. Besides this, preference has been accorded to 'Buy (Indian)' and 'Buy and Make (Indian)' categories of capital acquisition over 'Buy (Global)' category in Defence Procurement Procedure, to make the country self-reliant in defence production. The 'Make' procedure has been recast in DPP-2016 wherein the share of Government funding has been increased to 90% from 80%, so that the risks to the Development Agencies are mitigated to large extent. In addition, greater impetus has been provided to MSMEs, by reserving certain categories of Make Projects exclusively for them.

- (b) FDI Policy under which Foreign Investment Cap is allowed through automatic route upto 49% and Government route beyond 49% wherever it is likely to result in access to modern technology or for other reasons to be recorded. The foreign investment in defence sector is further subject to Industrial license under the Industries (Development & Regulation) Act, 1951; and Manufacturing of small arms and ammunition under the Arms Act, 1959.
- (c) Industrial licensing 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 SMEs. 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.
- (d) Issues related to level-playing field between Indian & foreign manufacturers, and public sector & private sector have also been addressed. These include Exchange Rate Variation (ERV) protection for Indian vendors, Offset obligations in 'Buy (Global)' cases, removing anomalies in taxation in customs/ excise duty etc.
- (e) 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 of offset have been re-instated with certain conditionalities.

ANNEXURE REFERRED IN THE REPLY GIVEN IN THE STATEMENT IN PARTS (a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO. 4426 FOR ANSWER ON 12.8.2016

EXPENDITURE ON PURCHASE OF DEFENCE EQUIPMENT

The expenditure on purchase of defence equipment for the three services in the last two years, from the Foreign vendors and Indian vendors is as given below:-

(Rs. in crore)

	Total Procurement	Procurement from Foreign Vendors	Procurement from Indian Vendors
2014-15	77986.32	29159.69	48826.63
2015-16	76169.57	26190.46	49979.11
