

BOOSTING DOMESTIC PRODUCTION OF DEFENCE EQUIPMENT

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Ministry of Defence

Boosting Domestic Production of Defence Equipment

Posted On: 10 FEB 2020 2:56PM by PIB Delhi

Government has taken following policy initiatives to boost production and promote indigenous design, development & manufacture of defence equipment in collaboration with Indian private sector:-

- i. Defence Procurement Procedure (DPP) has been revised in 2016 wherein specific provisions have been introduced for stimulating growth of the domestic defence industry including private sector.
- ii. A new category of procurement “Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured)}” has been introduced in Defence Procurement Procedure (DPP)-2016 to promote indigenous design and development of defence equipment. It has been accorded top most priority for procurement of capital equipment. Besides this, preference has been accorded to ‘Buy (Indian)’, ‘Buy and Make (Indian)’ & ‘Make’ categories of capital acquisition over ‘Buy (Global)’ & ‘Buy & Make (Global)’ categories.
- iii. FDI Policy has been revised and under the revised policy, FDI is allowed under automatic route upto 49% and beyond 49% through Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded.
- iv. 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.
- v. The “Make” Procedure has been simplified with provisions for funding of 90% of development cost by the Government to Indian industry and reserving Government funded Make-I projects not exceeding development cost of Rs.10 Crore & procurement cost Rs. 50 Crore per year for MSMEs. The industry funded Make-II Projects not exceeding development cost of Rs.3 Crore & procurement cost Rs. 50 Crore per year have also been reserved for MSMEs.
- vi. Separate procedure for “Make-II” category has been notified under DPP to encourage indigenous development and manufacture of defence equipment. Number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc. have been introduced in this procedure.
- vii. Government has notified the “Strategic Partnership (SP)” Model 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.

- viii. 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.
- ix. Offset guidelines have 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 allowed to provide the details of IOPs and products after signing of contracts. In order to bring more transparency and efficiency into the Offset discharge process, "Offset portal" has been created in May, 2019.
- x. 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.

As a result of the aforesaid initiatives undertaken, from April, 2014 till September, 2019, the Government has accorded Acceptance of Necessity (AoN) to 218 proposals, worth Rs. 409,244 Crore approximately, under 'Buy (Indian-IDDM)', 'Buy (Indian)', 'Buy and Make (Indian)', 'Buy and Make', Strategic Partnership Model or 'Make' categories of capital procurement as per Defence Procurement Procedure (DPP).

Till date, 281 Indian Companies have been issued 461 Licenses for manufacturing in defence sector, out of which 73 licensed companies covering 118 licenses have reported commencement of production. Besides, there are more than 8000 MSMEs which are among the vendor base of OFB & Defence PSUs supplying various items to them.

The trends in Value of Production (VoP) in the last three years are indicated as below:-

Year	Total Production (Rs. in Crores)
2016-17	74,054
2017-18	78,838
2018-19	80,558
2019-20 (upto Dec 2019)	50,226

Capital procurement of defence equipment is undertaken from various domestic as well as foreign vendors as per extant Defence Procurement Procedure (DPP) based on threat perception, operational challenges and technological change and to keep the Armed Forces in a state of readiness to meet the entire spectrum of Security Challenges.

- (i) **Import Data** – DGFT vide Notification dated 28.05.2018 delegated powers to Department of Defence Production for issuance of licence for import of restricted items for defence use. Therefore, the data for 2019-20 (till 27.01.2020) is as under:

2019-20 (till 27.01.2020)	Rs. 742.33 crores
----------------------------------	-------------------

(ii) **Export Data**

Year	2016-17	2017-18	2018-19
Total export (Rs in Crores)	1,521.91	4,682.36	10,745.77

Export value is based on the value of Authorisation / Licence issued by DDP to private companies, actual export by DPSUs/OFB.

This information was given by Raksha Rajya Mantri Shri Shripad Naik in a written reply to Dr Ameer Yajnik in Rajya Sabha today.

ABB/SS/Nampi/DK/Savvy/ADA

(Release ID: 1602611) Visitor Counter : 167

Read this release in: [Urdu](#)

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

Crack