

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO. 541
TO BE ANSWERED ON 04TH FEBRUARY, 2022

SELF-RELIANCE IN DEFENCE MANUFACTURING

541. SHRI KHAGEN MURMU:
SHRI G.M. SIDDESHWAR:

Will the Minister of DEFENCE
be pleased to state:

- (a) whether the Government has introduced any policies to promote self-reliance in defence manufacturing;
- (b) if so, the details of the major policies to ensure self-reliance in defence manufacturing;
- (c) the manner in which such policies affect imports of defence items; and
- (d) the other steps taken by the Government to upgrade and modernize defence technologies to meet the future requirements of the country?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

(SHRI AJAY BHATT)

(a) to (d): The Government has taken several policy initiatives and brought reforms to promote self-reliance in defence manufacturing. These policy initiatives are aimed at encouraging indigenous design & development, innovation and manufacture of defence equipment in the country, thereby reducing dependency on imports in long run. Important policy initiatives and reforms are as under: -

- i. DPP-2016 has been revised as Defence Acquisition Procedure (DAP)- 2020, which is driven by the tenets of Defence Reforms announced as part of 'Aatmanirbhar Bharat Abhiyan'.

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- ii. In order to promote indigenous design and development of defence equipment 'Buy {Indian-IDDM (Indigenously Designed, Developed and Manufactured)}' category has been accorded top most priority for procurement of capital equipment.
- iii. Ministry of Defence has notified 'First Positive Indigenisation list' of 101 items on 21st Aug 2020 and '2nd Positive Indigenisation list' of 108 items on 31st May 2021 for which there would be an embargo on the import beyond the timelines indicated against them. This is a big step to promote indigenization in defence sector. This offers a great opportunity to the Indian defence industry to manufacture these items using their own design and development capabilities to meet the requirements of the Indian Armed Forces. These lists include some high technology weapon systems like artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars, wheeled armoured platform, rockets, bombs, armoured command post vehicle, armoured dozor and many other items to fulfill the needs of our Defence Services.
- iv. Further, the Government has notified a Positive Indigenization list of sub-systems/ assemblies/ sub-assemblies/ components of DPSUs on 27th December, 2021. The list contains 2500 items, which are already indigenized and 351 items for which there would be an embargo on import beyond the timelines indicated against them.
- v. The 'Make' Procedure of capital procurement which is aimed at encouraging design, development and manufacture of defence products by Indian private industry, primarily for import substitution, has been simplified. There is a provision for funding upto 70% of development cost by the Government to Indian industry under Make-I category. In addition, there are specific reservations for MSMEs under the 'Make' procedure.
- vi. Procedure for 'Make-II' category (Industry funded), introduced in DPP 2016 to encourage indigenous development and manufacture of defence equipment has number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc. So far, 62 projects relating to Army, Navy & Air Force, have been accorded 'Approval in Principle'.
- vii. The Government of India has enhanced FDI in Defence Sector up to 74% through the Automatic Route for companies seeking new defence industrial license and up to 100% by Government Route wherever it is likely to result in access to modern technology.

- viii. 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.
- ix. Government has set up the Technology Development Fund (TDF) to encourage participation of public/ private industries especially MSMEs, through provision of grants, so as to create an eco-system for enhancing cutting-edge technology capability for defence applications.
- x. An indigenization portal namely SRIJAN has been launched in August 2020 for DPSUs/Services with an industry interface to provide development support to MSMEs/Startups/Industry for import substitution. So far, 18023 Defence items, which were earlier imported, have been displayed on the portal. The Indian industry have shown their interest in 3826 items. Out of them, 3190 have already been indigenized.
- xi. “Offset portal” has been launched in May 2019 to ensure Greater transparency, efficiency and accountability in the process. Reforms in Offset policy have been included in DAP 2020, with thrust on attracting investment and Transfer of Technology for Defence manufacturing, by assigning higher multipliers to them.
- xii. Government has notified the ‘Strategic Partnership (SP)’ Model in May 2017, which envisages establishment of long-term strategic partnerships with Indian entities through a transparent and competitive process, wherein they may tie up with global Original Equipment Manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chains.
- xiii. 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.
- xiv. Government has established two Defence Industrial Corridors, one each in Uttar Pradesh and Tamil Nadu to attract investments of Rs 10,000 Cr in each corridor by year 2024-25. So far, investment of approx. Rs 3750 Cr in both the corridors by public and private sector companies have been made. Moreover, the respective State Governments have also published their Aerospace & Defence Policies to attract industries including foreign companies in these two corridors.

- xv. An Inter-Governmental Agreement (IGA) on “Mutual Cooperation in Joint Manufacturing of Spares, Components, Aggregates and other material related to Russian/Soviet Origin Arms and Defence Equipment” was signed in Sep 2019. The objective of the IGA is to enhance the After Sales Support and operational availability of Russian origin equipment currently in service in Indian Armed Forces by organizing production of spares and components in the territory of India by Indian Industry by way of creation of Joint Ventures/Partnership with Russian Original Equipment Manufacturers (OEMs) under the framework of the “Make in India” initiative.
- xvi. 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 period 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 case-to-case basis.
- xvii. Defence Investor Cell (DIC) has been created in Feb-2018 by the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector. Till date, 1325 queries had been received and addressed by Defence Investor Cell.
