

(b) whether the Ordnance Factory Board has devised a system of periodical review of the above mentioned activities; and

(c) if so, what are the measures being taken to ensure that the OFB adheres to the prescribed norms and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF DEFENCE (RAO INDERJIT SINGH): (a) No, Sir.

(b) Ordnance Factory Board (OFB) undertakes production of arms and ammunition against firm demand from the indentors. Accordingly, arms and ammunition produced by OFB are issued to the indentors as per their demand placed on OFB. Therefore, obsolescence, if any, may occur at indentors end. Hence, inspecting, segregating and discarding obsolete arms and ammunitions are the sole responsibility of the Users and thus do not fall within OFB's domain.

(c) Does not arise.

Building strong defence industrial base

1652. SHRI A.W. RABI BERNARD: Will the Minister of DEFENCE be pleased to state:

(a) whether it is a fact that India imports 65 per cent of its military hardware and software and spent ₹ 1,03,536 crore in direct payments to foreign armament companies in the past five years while exported arms worth ₹ 2644 crore only in the same time, if so, the details thereof;

(b) whether it is also a fact that India has not even equipped its own armed forces properly, leave alone use of military aid to influence others; and

(c) the steps taken by Government to build a strong defence industrial base?

THE MINISTER OF STATE IN THE MINISTRY OF DEFENCE (RAO INDERJIT SINGH): (a) The details of procurement from indigenous and foreign sources under Capital and Revenue expenditure from 2010-11 to 2014-15 with respect to Army, Air Force and Navy are as below:-

Procurement of Defence items

(₹ in crore)

Year	Total Procurement	Procurement from Indigenous sources	Procurement from foreign sources	Percentage of 'Procurement from Indigenous sources' out of Total Procurement
2010-11	71859	57734	14125	80.34
2011-12	80318	52167	28151	64.95
2012-13	83090	52720	30370	63.44
2013-14	93217	55014	38203	59.01
2014-15	78754	49532	29222	62.89

The details of export of defence items by Defence Public Sector Undertakings (DPSUs), Ordnance Factory Board (OFB) and private sector companies (based on NOCs issued) for the last five years are as below :-

Year	Value of Exports (₹ in crore)
2010-2011	290.51
2011-2012	512.48
2012-2013	446.75
2013-2014	686.27
2014-2015	669.88

(b) and (c) 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 SMEs in indigenisation and broadening the defence R&D base of the country. In pursuance of the Policy, the Government has taken several initiatives to build strong defence industrial base which are given as below:-

- (1) The Defence Products List for the purpose of issuing Industrial Licences (ILs) under IDR Act has been revised and most of the components, parts, sub-systems, testing equipments, and production equipment have been removed from the List, so as to reduce the entry barriers for the industry, particularly

small and medium segment.

- (2) Process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) has been made completely online and this service is now available to entrepreneurs on 24X7 basis at eBiz website without human interface.
- (3) Guidelines have been issued to streamline the processing of applications for grant of extension of validity of Industrial License.
- (4) The initial validity of the Industrial Licence granted under the IDR Act has been increased from 3 years to 7 years with a provision to further extend it by 3 years on a case-to-case basis.
- (5) Partial commencement of production is treated as commencement of production of all the items included in the license.
- (6) The 'Security Manual for Licensed Defence Industry' has been issued. With the issue of the Security Manual, the requirement of affidavit from the applicants, has been done away with.
- (7) Restriction of annual capacity in the Industrial License for Defence Sector has been removed.
- (8) Licensee has been allowed to sell the defence items to the Government entities under the control of MHA, PSUs, State Governments and Other Defence Licensee companies without approval of Department of Defence production.
- (9) Application Forms for Industrial License and Industrial Entrepreneur Memorandum have been simplified.
- (10) The advanced version of NIC Code (NIC 2008) has been adopted, which is a highly contemporary industrial classification.
- (11) To establish a level-playing field between Indian private sector and the public sector, the anomalies in excise duty/ custom duty have been removed. As per the revised policy, all Indian industries (public and private) are subjected to the same kind of excise and custom duty levies.
- (12) To promote the participation of private sector, particularly SMEs for defence manufacturing, Outsourcing and Vendor Development Guidelines for DPSUs and OFB have been formulated and circulated to them. The guidelines mandate

that each DPSU and OFB to have a short-term and long-term outsourcing and vendor development plan to gradually increase the outsourcing from private sector including SMEs. The guidelines also include vendor development for import substitution.

- (13) The Standard Operating Procedure (SOP) for the issue of No Objection Certificate (NOC) for export of military stores has been revised and put on the website. Under the revised SOP, the requirement of End User Certificate (EUC) to be countersigned/ stamped by the Government authorities has been done away with for the export of parts, components, sub-systems etc.
- (14) The list of military stores has been finalised and has been put in the public domain to make the process transparent and unambiguous. The process of receiving applications for NOC for export of military stores and for issuing NOC has been made online to reduce the delay and to remove human interface in the process.
- (15) The FDI policy for the defence sector has been reviewed and as per the revised policy, the composite foreign investment upto 49% is allowed through Government route (FIPB) and beyond 49% with the approval of the Cabinet Committee on Security (CCS) on case-to-case basis wherever it is likely to result in access to modern and state-of-the art technology in the country. Besides, the restrictions such as single largest Indian shareholder to hold at least 51% equity and complete restriction on Foreign Institutional Investor (FII) existing in the earlier policy have also been removed to facilitate investment in the sector.
- (16) Recognising the need for promotion of defence exports to make the Indian defence industry economically sustainable; Defence Exports Strategy outlining the various steps to be taken, has been formulated and is put up in public domain.
- 17) Preference to 'Buy (Indian)', 'Buy & Make (Indian)' & 'Make' categories of acquisition over 'Buy (Global)' category, thereby giving preference to Indian industry in procurement.

Measures to reduce defence import

1653. SHRI SUKHENDU SEKHAR ROY: Will the Minister of DEFENCE be pleased to state: