

- (xi) 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.
- (xii) The Ministry has instituted a new framework titled 'Mission Raksha Gyan Shakti' in November, 2018 which aims, to provide boost to the Intellectual Property Rights (IPR) culture in indigenous defence industry.
- (xiii) Defence Investor Cell has been created in February, 2018 in the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector.
- (xiv) 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 3 years to 15 years with a provision to further extend it by 3 years on a case-to-case basis.

Encouraging MSE and private companies to meet defence requirements

824. SHRI SAMBHAJI CHHATRAPATI: Will the Minister of DEFENCE be pleased to state:

- (a) whether it is a fact that despite possessing capacity for indigenous production of defence equipment against licence granted by Government, the Medium and Small Entrepreneurs (MSE) are unable to take lead;
- (b) if so, the details thereof;
- (c) whether the reason for the current situation is that there is no guaranteed Government order to the developer or manufacturer for production of defence equipment and thereby its commercial viability; and
- (d) if not, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF DEFENCE (SHRI SHRIPAD YESSO NAIK): (a) to (d) In May, 2001, the Defence Industry sector, which was hitherto

reserved for the public sector, was opened up to 100% for Indian private sector participation, with Foreign Direct Investment (FDI) up to 26% both subject to licensing. Further, Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry *vide* Press Note No. 5 (2016 Series), has allowed FDI under automatic route upto 49% and above 49% through government route wherever it is likely to result in access to modern technology or for other reasons to be recorded. The defence industry is subjected to industrial license under Industries (Development and Regulation) Act, 1951 and manufacturing of small arms and ammunition under the Arms Act, 1959. Small and Medium Enterprises (SMEs) can also undertake production of defence equipment after obtaining industrial license. This would encourage SMEs, who have the potential to take up design and development work of defence items, to make substantial contribution in defence production. Defence industry is capital intensive and the investments in this sector are driven by the commercial interests, substantial investment required for research and development as well as infrastructure. So far, government has issued 461 licenses till January, 2020 for manufacture of a wide range of defence items to Indian companies. The total production value of companies operating in Defence and Aerospace sector as reported by the companies till date, from April, 2016 to December, 2019 is ₹ 283936 crore.

With the aim of building up indigenous defence industrial base and reducing dependence on defence imports, many steps have been taken by government to promote MSMEs. In DPP-2016, under Government funded Make-I category, development of prototype of defence products/platforms projects not exceeding development cost of ₹ 10 crore and procurement cost of ₹ 50 crore are reserved for MSMEs. Similarly under industry funded Make-II category of development of prototype of defence products/platforms, projects not exceeding development cost of ₹ 3 crore and procurement cost of ₹ 50 crore are reserved for MSMEs. The iDEX initiative is also aimed at supporting MSMEs, Start-ups, Individual by providing them grants/ funding and other support to carry out R&D. Under the iDEX scheme, a maximum of ₹ 1.5 crore funding is available to a participant for development of a prototype. To ensure timely payments to MSME vendors, Trade Receivables electronic Discount System (TReDS) has been implemented in DPSUs. Defence Investor Cell has been opened in DDP to address the issues being faced by industries especially MSME vendor. In addition to this, more than 1000 vendors, mainly MSMEs are supporting Defence forces in its indigenisation programme. Private industries are also carrying out part-tasking of some of the non-core activities related to repair and overhaul. Further, repeat orders are placed on the development agencies in line with provisions of DPM-2009.