

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
DEPARTMENT OF DEFENCE PRODUCTION  
**RAJYA SABHA**  
**UNSTARRED QUESTION NO.1462**  
TO BE ANSWERED ON 2<sup>nd</sup> August, 2021

**EFFORTS TO ENCOURAGE DOMESTIC MANUFACTURING**

1462 SHRI PRABHAKAR REDDY VEMIREDDY:

Will the Minister of Defence be pleased to state:

- (a) the efforts being made by Ministry to encourage domestic manufacturing and create a local ecosystem;
- (b) to what extent the recent announcement of reserving Rs. 17,000 crore for buying products from private sector will push domestic manufacturing;
- (c) the details of expansion of import negative list and to what extent this helps to push domestic manufacturing; and
- (d) the details of percentage of products being procured from domestic public and private sector during the last five years and the current year, year-wise?

**ANSWER**  
MINISTER OF STATE IN THE MINISTRY OF DEFENCE  
SHRI AJAY BHATT

(a) to (d): A statement is attached.

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**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF RAJYA SABHA UNSTARRED QUESTION NO. 1462 FOR ANSWER ON 02.08.2021 REGARDING 'EFFORTS TO ENCOURAGE DOMESTIC MANUFACTURING'.**

(a) 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 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'.
- ii. In order to promote indigenous design and development of defence equipment 'Buy {Indian-IDDMM (Indigenously Designed, Developed and Manufactured)}' category has been accorded top most priority for procurement of capital equipment.
- iii. Ministry of Defence has notified two 'Positive indigenisation lists' of 209 items for which there would be an embargo on the import beyond the timeline indicated against them. This would offer a great opportunity to the Indian defence industry to manufacture listed items using their own design and development capabilities to meet the requirements of the Indian Armed Forces.
- iv. The 'Make' Procedure of capital procurement 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.
- v. 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, 58 projects relating to Army, Navy & Air Force, have been accorded 'Approval in Principle'.

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- vi. The Government has approved enhanced delegation of Financial Powers under Capital Procurement to levels below Vice-Chief of Armed Forces in February, 2021. The Government has also approved enhanced delegation of Financial Powers in the Make-I category under which Government funding up to 70% of the prototype development cost is available for Design & Development of equipment, systems, major platforms or upgrades thereof.
- vii. The Government of India has enhanced FDI in Defence Sector up to 74% through the Automatic Route and up to 100% by Government Route wherever it is likely to result in access to modern technology or for other reasons to be recorded.
- 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. An indigenization portal namely SRIJAN has been launched in August, 2020 for DPSUs/OFB/Services with an industry interface to provide development support to MSMEs/Startups/Industry for import substitution.
- x. 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.
- xi. 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.

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- xii. 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.
- xiii. Government has established two Defence Industrial Corridors, one each in Uttar Pradesh and Tamil Nadu. The investments of Rs 20,000 Cr are planned in Defence corridors of Uttar Pradesh and Tamil Nadu by year 2024. So far, investment of approx. Rs 3342 Cr has been made in both the corridors by public as well private sector companies. Moreover, the respective State Governments have also published their Aerospace & Defence Policies to attract private players as well as foreign companies including Original Equipment Manufacturers (OEMs) in these two corridors.
- xiv. 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 September, 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.
- xv. 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.
- xvi. Department of Defence Production has notified 46 items under the latest Public Procurement Order 2017 notified by Department for Promotion of Industry and Internal Trade (DPIIT), for which there is sufficient local capacity and competition and procurement of these items shall be done from local suppliers only irrespective of the purchase value.

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xvii. Defence Investor Cell (DIC) has been created in Feb-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. So far, 1182 queries have been addressed by DIC.

(b): It has been decided to earmark an amount of Rs. 71,438.36 Cr for domestic capital procurement out of the total allocation of Rs. 1,11,463.21 Cr. for Capital Acquisition for the current financial year, with the objective to boost capital procurements from domestic sources including private sector.

(c): The 'First Positive Indigenisation list (erstwhile Negative list)' of 101 items was notified on 21 August, 2020 and the '2nd Positive Indigenisation list' of 108 items was notified on 31 May, 2021 by the Government for which there would be an embargo on the import beyond the timeline indicated against them. The aim of the Positive Indigenisation list is to give boost to indigenous manufacturing, development of Intellectual Property besides acquiring 'know-how' of advanced technologies.

(d): During the last five financial years (2016-17 to 2020-21) and current financial year 2021-22(upto June 2021), 264 contracts have been signed, out of which 159 contracts have been signed with Indian Vendors for capital procurement of defence equipment for Armed Forces, which is approximately 60% of the total contracts signed.

The year-wise details of contracts are as below:

<b>Year</b>	<b>Number of Total Capital Contracts signed</b>	<b>Number of Capital Contracts signed with Indian Vendors</b>
2016-17	46	23
2017-18	50	32
2018-19	47	30
2019-20	70	38
2020-21	44	34
2021-22 ( upto June 2021)	07	02
<b>Total</b>	<b>264</b>	<b>159</b>

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