Defence Manufacturing

Since the launch of 'Make in India' in September 2014, several measures have been taken by the Government to promote indigenous design, development and manufacture of defence & aerospace equipment in the country by harnessing the capabilities of the public and private sector. These measures *inter alia* include:

·   The Defence Procurement Procedure (DPP) has been revised and has come into effect from 1st April 2016. A new category of procurement 'Buy {Indian-IDDM (Indigenously Designed, Developed and Manufactured)}' has been introduced in DPP-2016 which has been accorded top most priority for procurement of capital equipment. Besides this, preference has been accorded to 'Buy (Indian)' and 'Buy and Make (Indian)' categories of capital acquisition over 'Buy (Global)' & 'Buy & Make (Global)' categories. The 'Make' Procedure has been simplified with provisions for funding of 90% of development cost by the Government to Indian industry and reserving projects not exceeding development cost of Rs. 10 crore (Government funded) and Rs. 3 crore (Industry funded) for MSMEs.

·   FDI Policy has been revised and under the revised policy, FDI upto 49% is allowed through automatic route and beyond 49% under Government approval route wherever it is likely to result in access to modern technology or for other reasons to be recorded.

·   Industrial licensing regime for Indian manufacturers has been liberalised and most of the components / parts / sub-systems have been taken out from the list of defence products requiring Industrial Licence. This has reduced entry barriers for new entrants in this sector, particularly SMEs. The initial validity of Industrial Licence 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.

·   Issues related to level-playing field between Indian & foreign manufacturers, and between public sector & private sector have also been addressed. These include Exchange Rate Variation (ERV) protection for all Indian vendors, removing anomalies in customs / excise duty etc.

·   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 not required to indicate the details of IOPs and products at the time of signing of contracts. 'Services' as an avenue of offset have been re-instated.

·   The process for export clearance has been streamlined and made transparent & online.

The Department of Industrial Policy and Promotion (DIPP) under Ministry of Commerce & Industry, administers 'Modified Industrial Infrastructure Upgradation Scheme (MIIUS)' for upgradation of common industrial infrastructure in Industrial Clusters in the country. Project proposals for Defence and Aero Manufacturing Clusters are also considered under MIIUS.

The Ministry of Commerce & Industry has received following two proposals related to Defence and Aerospace manufacturing sector:-

·   The first project proposal was for establishment of Defence park at Sanand Industrial Estate, under MIIUS, from Gujarat Industrial Development Corporation (GIDC). Since, DIPP had already approved two other non-defence project proposals under MIIUS, this proposal could not be considered due to cap of two projects per State in MIIUS guidelines.

·   Another proposal was received from Dholera Industrial City Development Limited (DICDL), Government of Gujarat for seeking support and guidance for attracting major Aerospace and Defence manufacturing companies to invest in Dholera. DIPP had advised to DICDL to take up the proposal for establishment of Aerospace and Defence manufacturing park in Dholera with associations like Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI) etc.

This information was given by Minister of State for Defence Dr. Subhash Bhamre in a written reply to Shrimati Jayashreeben Patel and others in Lok Sabha today.

NAMPI/Rajib