



Ministry of Defence

# Manufacturing Defence Equipment

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The Defence Production Policy promulgated by the Government, 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 private industry to play 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 aforesaid Policy and 'Make in India' initiative of the Government, the steps taken by the Government, inter-alia include:-

- In order to promote indigenous design and development of defence equipment, a new category of procurement 'Buy (Indian-IDD (Indigenously designed, developed and manufactured))' has been introduced in Defence Procurement Procedure-2016 and the same has been accorded top most priority for procurement of capital equipment. The 'Make' Procedure has been simplified with provisions for funding of 90 % of development cost by the Government to Indian industry for design, develop and manufacture of defence equipment.
- 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.

During the last three years and the current financial year, 34 FDI proposals were received for consideration of Foreign Investment Promotion Board (FIPB), out of which, 17 have been approved. The FDI equity inflow for April 2013-December 2016 in defence sector is 1 million USD.

This information was given by Minister of State for Defence Dr. Subhash Bhamre in a written reply to Shri Ajay Misra Teni and Smt Poonamben Maadam in Lok Sabha today.

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