



# Defence Assets

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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 the private industry to take an active role in this endeavour; enhancing potential of Small and Medium Enterprises (SMEs) in indigenisation and broadening the defence R&D base of the country. In pursuance of this policy and 'Make in India' initiative, the steps taken by the Government, *inter alia* include:

- Defence Procurement Procedure (DPP) has been revised and has come into effect from 1<sup>st</sup> April 2016. A new category of procurement 'Buy Indian-IDD (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.
- 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 the already concluded 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.

No specific targets have been set for export of defence equipment to friendly countries as the same depends on the export orders bagged by the industry and clearances given by the Government to friendly countries.

So far 36 Foreign Direct Investment (FDI) proposals / joint ventures have been approved in defence sector for manufacture of various defence equipments. However, since as per FDI policy, for defence sector, FDI upto 49% is allowed through automatic route. Information related to cases with less than 49% FDI are not maintained by the Ministry.

At present, there is no proposal of Defence Public Sector Undertakings (DPSUs) and Ordnance Factory Board (OFB) to set up manufacturing unit of high technology defence equipments at Ambala, Haryana. No private company has been issued industrial license by Department of Industrial Policy & Promotion (DIPP) to set up manufacturing unit of defence equipment at Ambala, Haryana.

This information was given by Minister of State for Defence Dr. Subhash Bhamre in a written reply to Shri Rattan Lal Kataria in Lok Sabha today.

**NAMPI/Ranjan**

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