



Private Sector involved in Defence Manufacturing

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Some of the policy initiatives taken by the Government to ease the entry of private sector in defence manufacturing are as follows:

- The parts / components, casting and forgings of defence equipments have been excluded from the purview of industrial licensing under Industries (Development & Regulation) [IDR] Act, 1951. Initial validity of industrial licence for defence has been revised to fifteen years, further extendable upto eighteen years for existing as well as future licenses under IDR Act.

- Foreign Direct Investment (FDI) Policy in defence sector has been reviewed in June 2016, and as per the new policy, FDI up to 49% is allowed under automatic route and above 49% under Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded. To further the ease of process of approvals, the Government has abolished Foreign Investment Promotion Board (FIPB). The work of granting Government approvals for Foreign Investment under the extant FDI Policy has been entrusted to the concerned Administrative Ministries / Departments.

Since the opening of Defence Industry Sector for Private Sector Participation in 2001, the Government has issued 342 Industrial Licenses to 205 Indian Companies. The Licenses have been issued with the major conditions such as:

- Adequate safety & security procedure would need to be put in place by the licensee. The Companies shall comply with the security guidelines applicable to them based on the security categorization indicated in the licence.
- The defence items produced by such companies will primarily be sold to the Ministry of Defence. However, they can also be sold to other Government Entities under the control of Ministry of Home Affairs (MHA), Public Sector Undertakings, State Governments and other different Licensee Companies without the approval of Department of Defence Production (DDP).
- The Companies shall furnish Half-Yearly Returns regarding details of items produced and entities to whom sold in the prescribed proforma to the Department of Industrial Policy & Promotion (DIPP) and Department of Defence Production.

Till date, 66 Licensed Companies covering 109 Licenses have reported commencement of production.

As per the provisions of Security Manual, the Companies who have reported commencement of production are security audited by Intelligence Agencies once in two years.

This information was given by Minister of State for Defence Dr. Subhash Bhamre in a written reply to Shri Ram Kumar Kashyap in Rajya Sabha today.

Nampi/DK/Rajib

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