

Defence Production Marching Towards Self Reliance

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Can a nation aspiring to be a Super Power continue to depend on import of defence equipment and ignore the development of its Indigenous defence production or defence industrial base? Definitely not. Indigenous defence production or defence industrial base are the essential components of long term strategic planning of a country. The heavy reliance on imports is not only disturbing from the perspective of strategic policy and the role India has to play in the security of the region, but is also a matter of concern from the economic point of view in terms of the potential for growth and employment generation. Though all the aspects of power constitute a Super Power, the military power is a key to a Nation's rise to great or Super Power status.

Going back into the history, Indian defence industry has a history of more than 200 years. During the British period, Ordnance Factories were set up to manufacture guns and ammunitions. The first Ordnance Factory was set up at Cossipore in 1801. A total of 18 factories were set up before independence. At present, India's defence industrial base comprises 41 Ordnance Factories geographically spread across the country, 9 Defence Public Sector Undertakings (DPSUs), more than 200 private sector license holder companies and a few thousand Small, Medium and Micro enterprises feeding to the large manufacturers and Defence Public Sector Undertakings (DPSUs). More than 50 defence laboratories of DRDO are also part of the entire ecosystem of defence manufacturing in the country.

Till about the year 2000, most of our major defence equipment and weapon systems were either imported or were produced in India by Ordnance Factories or Defence Public Sector Undertakings under licensed production. DRDO, being the only defence R&D agency in the country, actively contributed to the technology development and supplemented the efforts of indigenization to a large extent. As a result of the efforts of DRDO and DPSUs in R&D and manufacturing, the country has reached a stage, where we have developed capabilities in manufacturing of almost all types of defence equipments and systems. Today, as per a rough analysis, out of our total defence procurement, 40 per cent is indigenous production. In some of the major platforms, a significant amount of indigenization has been achieved. For example, T-90 Tank has 74 per cent indigenization, Infantry Combat Vehicle (BMP II) has 97 per cent indigenization, Sukhoi 30 Fighter Aircraft has 58 per cent indigenization, Konkurs Missile has 90per cent indigenization. Apart from the indigenization level achieved in platforms being manufactured under licensed production, we have also achieved success in developing some of the major systems indigenously through our own R&D. These include Akash Missile System, Advance Light Helicopters, Light Combat Aircraft, Pinaca Rockets, various types of radars such as Central Acquisition Radar, Weapon Locating Radar, Battlefield Surveillance Radar etc. These systems also have more than 50-60per cent indigenous content.

With the above progress made through the State-owned manufacturing companies and DRDO, the time was right to expand the defence industrial base by including the private sector in the fold of Indian defence industry. In 2001, the Government allowed the entry of private sector into defence manufacturing along with Foreign Direct Investment up to 26per cent. It is our endeavour to harness the potential of the entire spectrum of the industry and expertise available in the country in our journey towards building our own defence industrial base, ultimately leading to the self-reliance. Though the entry of private sector was opened up in 2001, the growth of private sector participation in defence manufacturing was insignificant till about 3-4 years back and it was largely limited to production of parts and components to be supplied to Ordnance Factories and DPSUs. With the liberalization in the licensing regime in last 3 years, 128 licenses have been issued for manufacturing of various defence items, whereas in the last 14 years before that period, only 214 licenses were issued.

Defence being a monopsony sector, where Government is the only buyer, the structure and growth of the domestic defence industry is driven by the Procurement Policy of the Government. The Government has, therefore, fine-tuned the Procurement policy to give preference to indigenously manufactured equipments. To further promote manufacturing of strategic platforms viz. Fighter Aircrafts, Helicopters, Submarines and Armoured Vehicles, Government has recently announced a Strategic Partnership Policy, where shortlisted Indian companies can form JVs or establish other kinds of partnerships with foreign Original Equipment Manufacturers (OEMs) to manufacture such platforms in India with Transfer of Technology. The policies and initiatives taken in the last 3 years have started showing results. 3 years back, in 2013-14, where only 47.2per cent of the capital procurement was made from Indian vendors, in the year 2016-17, it has gone up to 60.6per cent.

To promote indigenous design, development and manufacturing of defence equipment within the country, the Government has undertaken a series of policy and process reforms. These include liberalization of licensing and FDI policy, streamlining Offset guidelines, rationalization of export control processes, addressing level playing issues between public and private sector.

A number of steps have also been taken to revitalize the working of DPSUs. All DPSUs and Ordnance Factory Board (OFB) have been mandated to increase their outsourcing to SMEs, so that an eco-system for manufacturing develops within the country. The DPSUs and OFB have been given targets for export and for making their processes more efficient by cutting down costs and removing inefficiencies. Our defence shipyards have achieved a significant percentage of indigenization in shipbuilding. Today, all the ships and patrol vessels etc. are being ordered by Navy and Coastguard to the Indian Shipyards. Gradually, disinvestment in DPSUs is also being pursued to make them more accountable and bring in operational efficiency. In the last 3 years, the Value of Production (VOP) of DPSUs and OFB has increased by approximately 28per cent and productivity by 38per cent.

We are at a crucial and important phase of our journey towards self-reliance as far as defence production is concerned. After independence, while we started with primarily imports, then gradually moved towards licensed production in 70s, 80s and 90s and now have started moving towards indigenous design, development and manufacturing. Like other sectors such as automobile, computer software, heavy engineering etc., I am hopeful that with the constant policy push, efficient administrative process and handholding, the Indian defence industry would rise to the occasion and we can witness design, development and manufacturing of major defence equipments and platforms in the country in near future. The process of reforms and the Ease of Doing Business is an ongoing process and the Government and industry will have to work together to create an eco-system, which is required for the growth and sustainability of this sector and this would be in our long term interest of national security.

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