

**GOVERNMENT OF INDIA  
DEFENCE  
LOK SABHA**

UNSTARRED QUESTION NO:2253  
ANSWERED ON:03.12.2007  
PARTICIPATION OF PRIVATE SECTOR IN DEFENCE PRODUCTION  
Khan Shri Sunil; Owaisi Shri Asaduddin; Singh Shri Rakesh

**Will the Minister of DEFENCE be pleased to state:**

- (a) whether the deliberations on the recommendations made by the Kelkar Committee have been completed;
- (b) if so, the details thereof, alongwith the extent to which Private Sector participation in Defence production has increased so far after permitting Indian Private Sector with Foreign Direct Investment (FDI);
- (c) whether the Government has not been able to utilize full capacity created in the public sector enterprises;
- (d) if so, the reasons therefor and the measures taken to utilize maximum capacity of Public Sector Enterprises in Defence production;
- (e) the present share of indigenous production in Defence procurement and the expenditure incurred on indigenous equipment vis-à-vis imported ones for the last three years; and
- (f) the steps being taken by the Government to encourage Private Sector and Public Sector Enterprises so as to minimize dependence on import?

**Answer**

MINISTER OF STATE FOR DEFENCE PRODUCTION (RAO INDERJIT SINGH)

(a) & (b): Yes, Sir.

Out of total 40 recommendations in part-I of Kelkar Committee report, 26 recommendations were accepted for implementation out of which 18 have been implemented so far. 8 recommendations were accepted for implementation with certain modifications out of which 6 have been implemented so far. Out of remaining 6 which were to be deliberated upon further 2 have been implemented and 1 has been dropped after due deliberations. While in respect of part-II of the report out of 19 recommendations, 4 recommendations have been implemented, further action is not required/envisaged in respect of 13 recommendations and one has been dropped after due deliberations.

Since May 2001, when the Defence Industry sector was opened up for Indian private sector participation with FDI permissible upto 26%, 73 Letters of Intent/Industrial Licenses have been issued to private companies for manufacture of wide range of defence items. Of the above, a few projects have started implementation.

(c) & (d): The market for defence goods is user driven and is based on requirement projected by the services in their annual and long-term acquisition plan as a result of which full capacity utilization may not always be feasible.

(e) The share of indigenously produced items in defence procurement was about 77% in 2006-2007. Details of expenditure for the last three years is as below:

(Rs. in crores)

Year	Indigenous Equipment	Imported Equipment	Total Expenditure
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2004-2005	12365	12937	25302
2005-2006	18019	7362	25280
2006-2007	25647	7710	33356

(f) Government has taken various initiatives to encourage participation of Indian industries in defence production including provisions relating to offset, maintenance through Indian industry of 'Buy' category items procured from overseas. Also issues like shared development cost and minimum order quantity have been addressed in the 'Make' procedure notified as part of Defence Procurement Procedure-2006.