

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:5249

ANSWERED ON:05.09.2011

DEFENCE PRODUCTION

Dubey Shri Nishikant ;M.Thambidurai Dr. ;Mahajan Smt. Sumitra;Mandal Shri Mangani Lal;Mirdha Dr. Jyoti;Shanavas Shri M. I.;Siddeswara Shri Gowdar Mallikarjunappa;Singh Shri Jagada Nand;Singh Shri Rakesh;Singh Shri Ravneet

Will the Minister of DEFENCE be pleased to state:

- (a) the share of private sector in defence production in the country at present;
- (b) the policy of the Government to promote domestic/private industry for production of equipment/components/spares under technology transfer from the foreign suppliers;
- (c) the capabilities of the domestic industry in this regard and the extent to which they have been able to contribute to the total procurement from domestic sources;
- (d) whether the private sector companies have been given level playing field under the new Defence Production Policy-2011 to enable them to compete with the Defence Public Sector Undertakings and if so, the details thereof including the criteria fixed to qualify a private company to be a participant; and
- (e) the extent to which foreign investment is likely to increase and the manner in which dependence on foreign imports is likely to be minimized thereby achieving indigenization and self-reliance in defence production and thus creating a strong defence industrial base in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF DEFENCE (SHRI M.M. PALLAM RAJU)

- (a) The Defence Industry sector is open up to 100% for Indian private sector participation with FDI permissible upto 26%, both subject to licensing.
- (b) The Government promotes production of equipment/components/ spares under transfer of technology from foreign suppliers through acquisitions categorized as "Buy & Make" and "Buy & Make (Indian)" under Defence Procurement Procedure (DPP).
- (c) The DPSUs and OFB have developed their capabilities by way of absorption of technologies through TOT route over the times and thereby are catering mainly to the procurement by the services from domestic sources. Private sector is enhancing its capabilities. However, the rate of change in technologies in the defence sector is limiting procurement from domestic sources.
- (d) The defence Production Policy-2011 endeavors to build up a robust indigenous defence industrial base by, proactively encouraging larger involvement of the Indian private sector in design, development and manufacture of defence equipment.
- (e) The Defence industry sector is capital intensive and the investments in this sector are driven by the commercial interests. Foreign technology infusion is being encouraged by permitting FDI upto 26%, subject to licensing, in the defence industry sector. Greater allocation of resources in R&D by the DPSUs and DRDO is also being encouraged.