

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:2334
ANSWERED ON:27.08.2012
REVISION IN OFFSET POLICY
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Will the Minister of DEFENCE be pleased to state:

- (a) whether as per the revised offset policy a vendor with full intellectual property rights can offer critical technology as part of its offset obligations
- (b) if so, the details thereof;
- (c) whether the vendor will also get enhanced credit with a 1.5 multiplier for investment in Small and Medium Enterprises; and
- (d) if so, the details thereof?

Answer

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

(a) & (b): Vendors can offer transfer of technology as part of their offset obligations as per Para 3.1 (c), (e) and (f) of Revised Defence Offset Guidelines, which have come into force from 1st August, 2012.

Para 3.1(c), (e) and (f) of Defence Offset Guidelines are reproduced below:-

3.1(c) Investment in 'kind' in terms of transfer of technology (ToT) to Indian enterprises for the manufacture and / or maintenance of eligible products and provision of eligible services. This could be through joint ventures or through the non-equity route for co-production, co-development and production or licensed production of eligible products and eligible services. The investment in kind in terms of ToT must cover all documentation, training and consultancy required for full ToT (civil infrastructure and equipment is excluded). The ToT should be provided without license fee and there should be no restriction on domestic production, sale or export.

(ii) 3.1(e) Provision of equipment and / or ToT to government institutions and establishments engaged in the manufacture and / or maintenance of eligible products and provision of eligible services, including DRDO (as distinct from Indian enterprises). This will include augmenting capacity for Research, Design and Development, Training and Education but exclude civil infrastructure.

(iii) 3.1(f) Technology Acquisition by the Defence Research and Development Organization in areas of high technology listed in Annexure-VIII to Appendix-D.

(c) & (d): A multiplier is permitted as per Para 5.11 of Defence Offset Guidelines which have come into force from 1st August, 2012.

Para 5.11 of Defence Offset Guidelines is reproduced below:-

In the discharge of offset obligations under Para 3.1(a), (b), (c) and (d), a multiplier of 1.50 will be permitted where Micro, Small and Medium Enterprises are IOPs. For the purpose of offsets, Micro, Small and Medium Enterprises are defined as follows:-

(a) In the case of enterprises engaged in manufacture of goods:-

(i) A micro enterprise is that where investment in plant and machinery does not exceed Rs. 2.5 million;

(ii) A small enterprise is that where investment in plant and machinery is more than Rs. 2.5 million but does not exceed Rs. 50 million; and

(iii) A medium enterprise is that where investment in plant and machinery is more than Rs. 50 million but does not exceed Rs. 100 million.

(b) In the case of enterprises engaged in providing services:-

(i) A micro enterprise is that where investment in equipment does not exceed Rs. 1 million;

(ii) A small enterprise is that where investment in equipment is more than Rs. 1 million but does not exceed Rs. 20 million; and

(iii) A medium enterprise is that where investment in equipment is more than Rs. 20 million but does not exceed Rs. 50 million.

Note: The above monetary limits shall be subject to change as may be notified by Department of Micro, Small and Medium Enterprises, Government of India from time to time.

The aforesaid stipulations are subject to various conditions and limitations prescribed in Revised Defence Offset Guidelines. Text of the revised Defence Offset Guidelines is available at [http:// mod.nic.in/dpm/revised-guidelines.pdf](http://mod.nic.in/dpm/revised-guidelines.pdf).