

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:2564
ANSWERED ON:25.07.2014
DOMESTIC PRODUCTION OF DEFENCE EQUIPMENT
Owaisi Shri Asaduddin;Panda Shri Baijayant "Jay"

Will the Minister of DEFENCE be pleased to state:

- (a) whether the domestic production of defence equipment is sufficient to meet the demand of defence forces;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) the present share of procurement of defence equipment from domestic public and private sector companies, sector-wise;
- (d) whether the Government has developed a scientific method to assess exact level of indigenisation achieved by defence units in the country and if so, the details thereof; and
- (e) the other incentives / assistance proposed to be provided to the defence Public Sector Undertakings for expediting manufacture of defence equipment in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF DEFENCE (RAO INDERJIT SINGH)

- (a) & (b): Presently the requirements for defence are met both through indigenous sources as well as imports. While efforts are being made to enhance domestic production to meet the requirements, imports are being resorted to take care of urgent requirements of equipment / weapons and other products required for defence for which the domestic production is non-existent or inadequate.
- (c) Over three year period, i.e. 2010-11, 2011-12 and 2012-13, about 69% of the total capital and revenue requirement of the Services was met through indigenous procurement from domestic Public and Private Sector.
- (d) The methodology of assessment of indigenous content for equipment or an item has been indicated in Defence Procurement Procedure, 2013 which stipulates that 'indigenous content' for an equipment or an item shall be arrived at by excluding from the total cost of that equipment / item, the following elements at all stages of manufacturing / production / assembly:
 - (i) Direct costs (including freight / transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India;
 - (ii) Direct and Indirect costs of all services obtained from non-Indian entities / citizens;
 - (iii) All license fees, royalties, technical fees and other fees / payments of this nature paid out of India, by whatever term / phrase referred to in contracts / agreements made by vendors / sub-vendors; and
 - (iv) Taxes, duties, cesses, octroi and any other statutory levies in India of this nature.
- (e) Important incentives / assistance provided by the Ministry of Defence to Defence Public Sector Undertakings (DPSUs) for expediting manufacture of Defence equipment in the country include provision of funds for modernization and infrastructure creation under project based funding arrangements for enhancing production capacities and efficiencies of DPSUs, provision of Exchange Rate Variation (ERV) protection in "single tender" cases of capital procurement from DPSUs and provision in Defence Procurement Procedure, 2013 for placement of orders by nomination to DPSUs in defence ship building.