

**GOVERNMENT OF INDIA  
DEFENCE  
LOK SABHA**

UNSTARRED QUESTION NO:1256

ANSWERED ON:18.07.2014

PRODUCTION OF DEFENCE EQUIPMENT

Meinya Dr. Thokchom;Mullappally Shri Ramachandran;Owaisi Shri Asaduddin

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

- (a) whether the Government proposes to do away with the requirement of industrial licensing for manufacture of various defence products;
- (b) if so, the details thereof, product-wise;
- (c) whether foreign companies can invest in production of defence equipment after de-licensing;
- (d) if so, the details thereof; and
- (e) whether the Government proposes to encourage participation of private players in the production of defence equipment and if so, the details thereof?

**Answer**

MINISTER OF DEFENCE (SHRI ARUN JAITLEY)

(a) to (e): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 1256 FOR ANSWER ON 18.7.2014

Vide Press Note No.3 (2014 Series) dated 26.06.2014, a list of Defence items requiring industrial license under Industries (Development & Regulation) Act, 1951, was issued. Vide the same Press Note, it was decided that the dual use items (having military as well as civilian applications) other than those specifically mentioned in the list would not require industrial license from defence angle. Further, the items which are not part of the list would not require industrial license for defence purposes. Some of the items, e.g. parts / components of equipment, castings, forgings, test equipment etc. which earlier required license from defence angle, would not require industrial license any more.

2.As per the extant Foreign Direct Investment (FDI) Policy, FDI is subject to industrial license under the Industries (Development & Regulation) Act, 1951 and other conditions as specified in the FDI Policy. However, the FDI Policy is not applicable for manufacture of items not covered under Defence Product List, which do not require Industrial License from defence angle.

3. As per the Defence Production Policy, 2011, Government aims to create conditions conducive for the private industry to take an active role in production of defence equipment, to enhance potential of SMEs in indigenization and to broaden defence R&D base of the country. So far, 214 Letters of Intent / Industrial Licences have been issued till June 2014 for manufacture of a wide range of defence items to public / private companies. Further, Defence Procurement Procedure has been amended to accord 'Buy (Indian)', 'Buy & Make (Indian)' and 'Make' categories of capital acquisition higher priority over other categories to encourage indigenous defence production in public and private sector. In the Union Budget 2014-15, it has been announced that the composite cap of foreign exchange is being raised to 49% with full Indian management and control through the FIPB route.