

रक्षा मंत्रालय
MINISTRY OF
DEFENCE
भारत सरकार

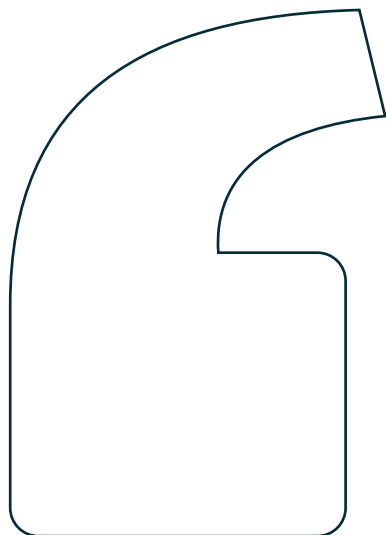


रक्षा उत्पादन विभाग
DEPARTMENT OF
DEFENCE PRODUCTION
GOVERNMENT OF INDIA



REFORMS IN DEFENCE SECTOR



Propelling Private Sector Participation
(2014 - 2021)



We have taken a number of measures, including delicensing, deregulation, export promotion, foreign investment liberalization in the defence sector. We are working ahead and focusing on transparency, predictability and ease of doing business.

Narendra Modi
Prime Minister of India

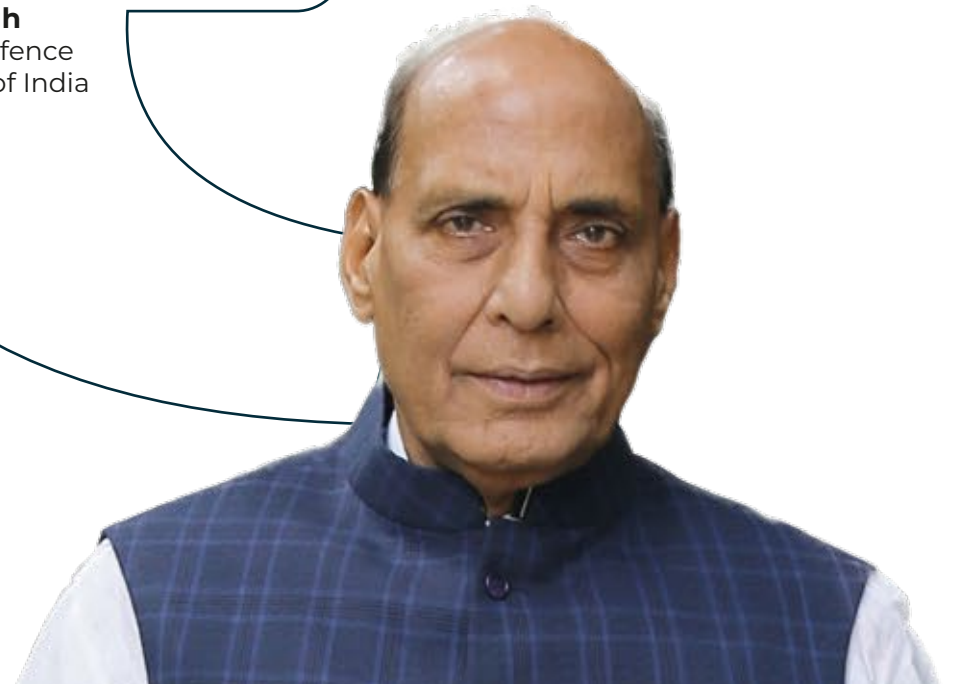




With the mantra of “Aatmanirbhar Bharat” given by the Hon'ble Prime Minister, the Defence Sector in India is poised to take a leap forward with a multi-pronged approach. Now, with focused attention on promotion of export of Indian defence products, India is steadily marching from “Make in India” towards “Make for the World”.

Rajnath Singh

Minister of Defence
Government of India



PAVING *THE* WAY FOR PRIVATE SECTOR

The Indian Defence ecosystem is a confluence between the Government and the defence manufacturing industry. Sustainable growth in the industry can only be achieved when one propels the other. Aerospace & Defence is estimated to be a ₹ 80,000 Cr industry, to which the private sector's contribution has steadily grown to ₹ 17,000 Cr. The vision is to make the private defence sector a global leader.

Under the Hon'ble Prime Minister's leadership, propelled forward by the Hon'ble Defence Minister, several policies & initiatives have been implemented to boost the private Defence and Aerospace sector. The steps taken include digitising internal processes, providing checks and balances to restrict imports and promote exports, formulating schemes aimed at promoting ease-of-doing-business, and encouraging the manufacture and purchase of indigenous products, which act as the wings for the private defence sector to take flight.



INDEX

1	Increasing the Share in Domestic Defence Procurement	
I	Design Capabilities	1
II	Level Playing Field	2
III	Local Procurement	3
2	Providing Access to Critical Technologies	
I	Offset Policy Enabling Access to Critical Technologies	5
II	Research and Development	6
3	Encouraging Investments	
I	Import Embargo	7
II	FDI Policy	8
III	Defence Industrial Corridors	11
IV	Offset Policy Encouraging Investments	13
V	Industrial Licensing	14
VI	Defence Investor Cell	16
4	Enhancing Indigenisation	
I	Srijan Portal	17
II	Indigenisation of Components	19
III	Indo-Russian Cooperation	22
5	Tapping the World Market	
I	Exports	23
II	Open General Export License	29
6	Harnessing Design and Development Capabilities	
I	Make-I Procedure	30
II	Make-II Procedure	31
III	Innovations for Defence Excellence	33
7	Easing the Business	
I	Testing Facilities	34
II	Exchange Rate Variation Protection	35
III	Third Party Inspection	36

8	Exhibitions and Outreach Programmes in 2020-21	
I	Aero India 2021	37
II	Webinar on Budget Announcements 2021-22	40
III	Webinar with Foreign Countries to Promote Exports	43





**INCREASING *THE* SHARE IN DOMESTIC
DEFENCE PROCUREMENT**

I - DESIGN CAPABILITIES

THE INITIATIVE

A new category of capital procurement 'Buy {Indian-IDDM (Indigenously Designed, Developed and Manufactured)}' has been introduced in Defence Procurement Procedure (DPP)-2016 to promote indigenous design and development of defence equipment.

THE EXECUTION

It has been accorded top most priority for procurement of capital equipment.

SITUATION BEFORE REFORM

There was no incentive to Indian companies having design capabilities. Indian companies had to compete with those having only manufacturing capabilities.

IMPROVEMENT AFTER REFORM

The reform has helped in creating domestic design capabilities in the Defence Sector.

THE ACHIEVEMENTS

In the last 4 financial years (2016-17 to 2019-20), 86 Capital Acquisition proposals worth ₹93,727 Cr have been categorised under Buy (Indian-IDDM) category.

NO. OF ACCEPTANCE OF NECESSITY (AoN) ISSUED UNDER BUY (INDIAN-IDDM) CATEGORY

YEAR	SCHEMES	₹ IN CRORES
2016-17	8	56,950.48
2017-18	30	7,926.62
2018-19	27	17,589.37
2019-20	21	11,260.73
TOTAL	86	93,727.20

II - LEVEL PLAYING FIELD

THE INITIATIVE

Defence Procurement Procedure (DPP) 2016 has been further revised as Defence Acquisition Procedure (DAP) 2020 which aims to provide the highest degree of probity, public accountability, transparency, fair competition and a level-playing field for Indian Private Defence Industries.

THE EXECUTION

DAP 2020 provided a level-playing field for Indian Private Defence Industries as elaborated below:

- i. Various categories of capital acquisition prescribed under DAP 2020 allow Indian companies, both private and public, to participate in the acquisition process.
- ii. Under Strategic Partnership Model, any Indian company (as defined under the Companies Act, 2013), owned and controlled by resident Indian citizen is only eligible for applying under selection process for strategic partners.
- iii. Indian private shipyards have also been made eligible for bidding in projects along with PSU shipyards.
- iv. Trial and testing procedures have been overhauled with the objective to nurture competition based on principles of transparency, fairness and equal opportunities to all.
- v. Industry friendly commercial terms have been introduced.

SITUATION BEFORE REFORM

For a long time, it has been the demand of the private industry to provide a level playing field to them.

IMPROVEMENT AFTER REFORM

These reforms have addressed their long pending demand and attempted to bring transparency, fair competition and a level-playing field for Indian private industries.



III - LOCAL PROCUREMENT

THE INITIATIVE

Department of Defence Production has notified 46 items under the latest Public Procurement Order 2017, notified by Department for Promotion of Industry and Internal Trade (DPIIT), for which there is local capacity and competition.

Procurement of such items shall be done from local suppliers only, irrespective of the purchase value.

THE EXECUTION

Under this reform, the Department notified those items for which there is sufficient local capacity and competition.

Only “Class-I local suppliers” shall be eligible to bid irrespective of the purchase value.

SITUATION BEFORE REFORM

Before the notification of Public Procurement (Preference to Make in India) Order 2017, there was no provision to provide preference to local suppliers in procurement process.

IMPROVEMENT AFTER REFORM

This reform provides preference to local suppliers in procurement, thus giving a boost to Make in India.





Great move to earmark more budget for domestic capital procurement. It fulfils a request by FICCI Defence Committee to provide long-term visibility on Defence Procurement plans. Industry can now plan its capex and production capacity.

S.P. Shukla

Chairman, FICCI Defence Committee



Defence Minister's announcement of negative import list of Defence Systems and Platforms marks the launch of a new glide path for "Aatmanirbhar Bharat".

Chandrajit Banerjee
DG-CII



**PROVIDING ACCESS TO
CRITICAL TECHNOLOGIES**

I - OFFSET POLICY ENABLING ACCESS TO CRITICAL TECHNOLOGIES

THE INITIATIVE

Under the new Offset Policy, further Offset reforms have been included in Defence Acquisition Procedure (DAP) 2020, with thrust on attracting Investment and Technology for defence manufacturing.

THE EXECUTION

The Investments have been incentivised through higher multipliers for transfer of technology/critical technologies under offset discharge as follows:

For Transfer of Technology to Indian Enterprises (x2.0)

For Transfer of Technology to OFB/DPSUs (x3.0)

For Transfer of Critical Technology (x4.0)

SITUATION BEFORE REFORM

- i. There were no such incentives for transfer of technology to Indian Enterprises and OFB/DPSUs.
- ii. Further, the value of incentive multiplier for transfer of critical technologies under offset discharge was low and such transfer was limited to DRDO. It was not extended to Private Industries.

IMPROVEMENT AFTER REFORM

The new Offset Policy is expected to encourage investments for Transfer of Technology/Critical Technologies to Indian Industry in Defence sector.

II - RESEARCH AND DEVELOPMENT

01

Defence Research and Development Organisation (DRDO) has promulgated new patent policy to facilitate Indian industries to get free access to use DRDO patents. This would provide an access to Indian industries to the innovations carried out by DRDO to further boost up their R&D and develop new technologies.

02

Technology Development Fund (TDF) scheme started by DRDO. DRDO provides financial support to the Indian industries for the design and development of innovative defence products.

03

DRDO has identified a list of 108 systems and subsystems which will be designed, developed and manufactured by industry only and will not be taken up by DRDO itself for development.

04

DRDO has been empowered to select a Development cum Production Partner for its projects right from inception. Multiple products are now being co-developed with the private industry under this protocol.

06



ENCOURAGING INVESTMENTS

I - IMPORT EMBARGO

THE INITIATIVE

As part of the Aatmanirbhar Bharat Package, Ministry of Defence has notified a 'Positive (Erstwhile Negative) List' of 101 items for which there would be an embargo on the import beyond the timeline indicated against them.

The second Positive List for indigenisation of 108 more items has also been notified on 31/05/2021.

THE EXECUTION

These lists include some high technology weapon systems like artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars and many other items to give a boost to local defence industries.

SITUATION BEFORE REFORM

There was no such identified list of items for import embargo.

IMPROVEMENT AFTER REFORM

- i. This would offer a great opportunity to the Indian Defence industries, including private sector, to manufacture these items using their own design and development capabilities to meet the requirements of the Armed Forces in the coming years.
- ii. This would comply with clarion call of Hon'ble Prime Minister Shri Narendra Modi i.e. Vocal for Local.
- iii. It would also provide an impetus to employment efforts of the country.

THE INITIATIVE

The Government of India has enhanced FDI in Defence Sector up to 74% through the Automatic Route for companies seeking new defence industrial license and up to 100% by Government Route wherever it is likely to result in access to modern technology. The obligatory Government approval for existing FDI approval holders/current defence licensees for change in equity/shareholding pattern up to 49% FDI, has been replaced with mandatory declaration for the same within 30 days of change of equity/shareholding pattern.

The proposals for raising FDI beyond 49% from such companies could also be considered with Government approval.

THE EXECUTION

Companies seeking new defence industrial license can bring FDI in Defence Sector up to 74% through the Automatic Route.

The existing FDI approval holders have to submit a declaration within 30 days of change in equity/shareholding pattern.

SITUATION BEFORE REFORM

FDI approval holders had to apply for Government approval for change in equity/shareholding pattern under the Automatic Route.

The companies not requiring Industrial License were required to get Government approval for change in equity/shareholding pattern under the Automatic Route. This had also brought many companies unnecessarily under the approval regime.

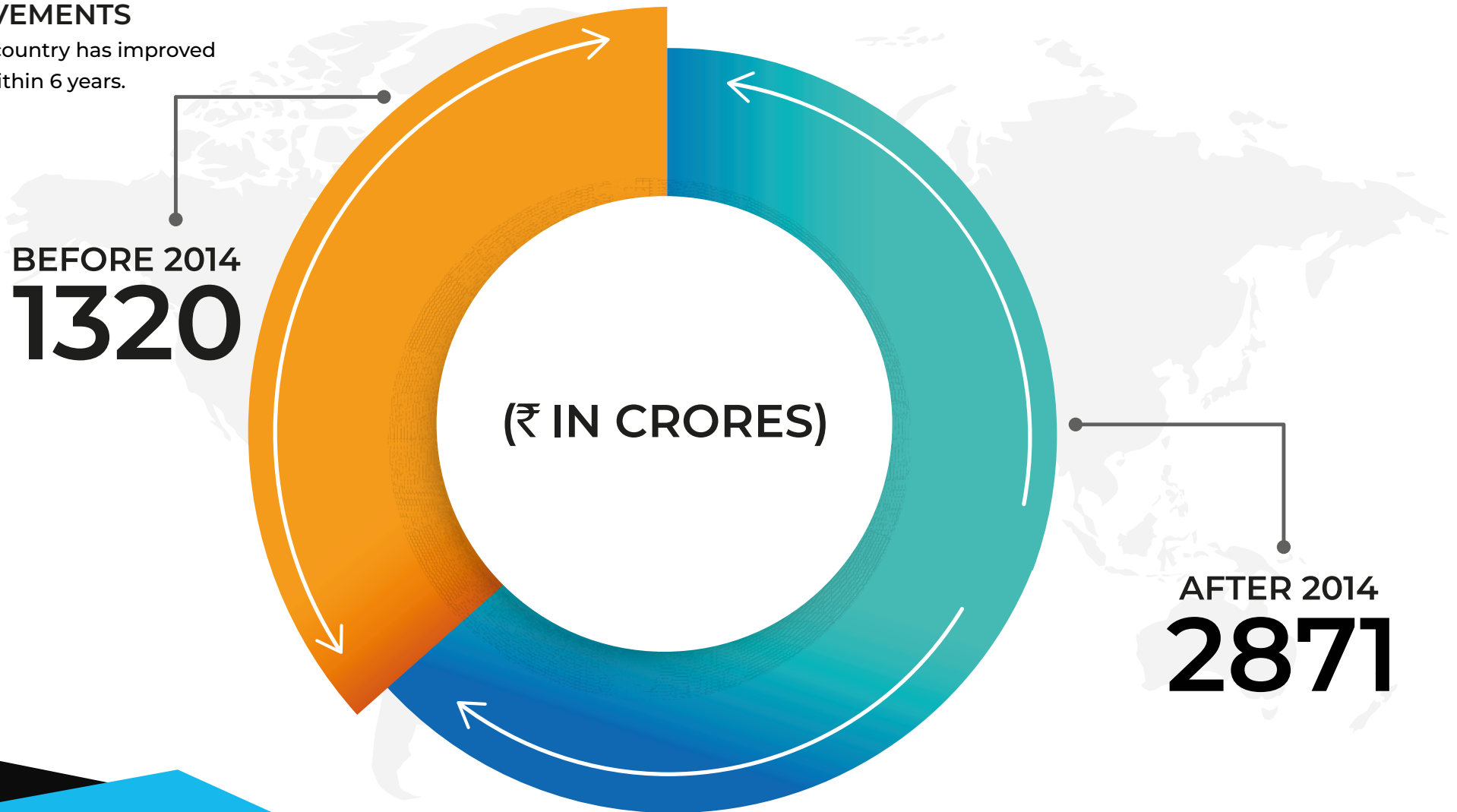
IMPROVEMENT AFTER REFORM

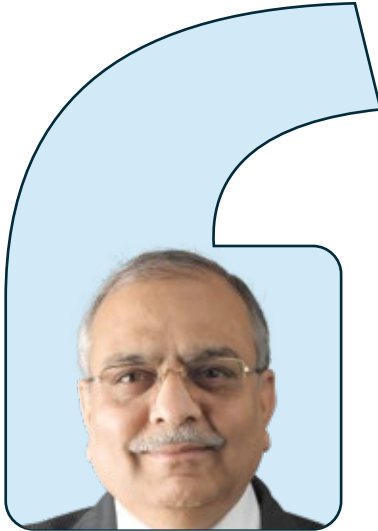
Liberalisation of the FDI policy has simplified the route of flow of FDI. A higher automatic route limit facilitates ease of doing business.

THE ACHIEVEMENTS

FDI Flow in the country has improved tremendously within 6 years.

INCREASE IN FDI INFLOW IN DEFENCE SECTOR POST 2014





The industry is further energized with the 'Aatmanirbhar Bharat Abhiyan' along with the recent easing of FDI regulations in the Defence Sector, as a strategic direction to future.

Jayant Patil
President, SIDM



Increased capabilities in Defence Production not only offer a great economic opportunity for the domestic industry, but also give an immense strategic advantage to the country in a fast-evolving geo-political situation.

Deepak Sood
Secretary General, ASSOCHAM

III - DEFENCE INDUSTRIAL CORRIDORS

THE INITIATIVE

In February 2018, the Government decided to establish two Defence Industrial Corridors (DICs) in Uttar Pradesh and Tamil Nadu to serve as an engine of economic development and growth of defence industrial base in the country.

Five nodes have been identified for developing the Tamil Nadu Defence Industrial Corridor (TNDIC), namely Chennai, Coimbatore, Hosur, Salem, and Tiruchirappalli.

Similarly, the UP Defence Industrial Corridor (UPDIC) connects six nodes, i.e. Agra, Aligarh, Chitrakoot, Jhansi, Kanpur and Lucknow.

These nodes have been selected to harness and channelize the defence manufacturing potential that exists within the MSMEs, OFB and DPSUs in and around these areas.

A number of private industries have either already invested in or have plans to invest in these DICs.

THE EXECUTION

The Government of India provides policy intervention for

- i. infrastructure development;
- ii. attracting foreign players and OEMs; and
- iii. strengthening the MSME ecosystem.

Responsibility of execution and implementation of all policies pertaining to the DICs lies with the respective State Governments.

DICs aim to:

- i. Provide a fillip to the defence manufacturing ecosystem through synergistic development of technologies, products and enterprises.
- ii. Create direct and indirect employment opportunities.
- iii. Provide impetus to growth of private domestic manufacturers including MSMEs and Start-ups.

SITUATION BEFORE REFORM

There was no such focused intervention for developing a holistic defence manufacturing ecosystem.

IMPROVEMENT AFTER REFORM

Subsequent to the reform, both the State Governments have also adopted attractive Defence and Aerospace policy to attract investment, which include subsidies on Capital Investment, Skill Development, Land Allotment, Certification etc. and exemptions/concessions on duties/taxes e.g. electricity duty, stamp duty, SGST etc.

THE ACHIEVEMENTS

As on 31/5/2021, these efforts have resulted in an investment of ₹1135 Cr in the UP Defence Corridor and ₹966 Cr in the TN Defence Corridor by OFB/DPSUs and private industry.

Moreover, in TNDIC, the existing companies have additionally invested ₹1140 Cr.



IV - OFFSET POLICY ENCOURAGING INVESTMENTS

THE INITIATIVE

- i. Under the new Offset Policy, offset reforms have also been included in the Defence Acquisition Procedure (DAP) 2020, with thrust on attracting Investment for Defence manufacturing.
- ii. Offset guidelines have been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components, even in signed contracts.
- iii. Foreign Original Equipment Manufacturers (OEMs) are now allowed to provide the details of IOPs and products after signing of contracts.
- iv. In order to bring more transparency and efficiency into the Offset discharge process, "Offset Portal" has been created in May 2019.

THE EXECUTION

Under the new Offset Policy, higher preference has been given for purchase of defence products as compared to components through incentivisation as under:

- i. Multiplier for Purchase of Defence Products:
 - For products/systems (x1.0)
 - For components (x0.5)
 - For MSME (x1.5)
- ii. Further, Investments have been incentivised through higher multipliers under offset discharge as follows:
 - In defence manufacturing (x1.5)
 - In Defence Industrial Corridors (x2.0)

SITUATION BEFORE REFORM

- i. Earlier, the multiplier was restricted to purchase defence items from MSMEs only.
- ii. All transactions under offset contracts were reported by the vendor through manual submission (photocopy of documents).
- iii. Processing of claims were in manual mode.
- iv. Audit of offset discharge claims were time consuming.
- v. There was no dispute settlement mechanism for offset contract.
- vi. In case of disagreement, arriving at a mutual decision was difficult.

IMPROVEMENT AFTER REFORM

- i. The new Offset Policy is expected to encourage investments, Transfer of Technology to Indian Industry in Defence Sector and growth of MSMEs.
- ii. The Offset Portal has resulted in the following improvements:
 - Online audit of offset discharge claims.

- Faster processing of claims.
- Greater transparency, efficiency and accountability in the process.
- Introduction of disputes settlement mechanism through Independent Monitors.

V - INDUSTRIAL LICENSING

THE INITIATIVE

Defence Products List requiring Industrial Licences has been rationalised, and manufacture of most parts or components now does not require Industrial License.

The Revised Defence Product List has been notified by DPIIT, Ministry of Commerce & Industry vide Press Note 1 of 2019 Series dated 01/01/2019.

The initial validity of the Industrial Licence granted under the Industries (Development & Regulation) Act - IDR Act has been increased from 3 years to 15 years with a provision to further extend it by 3 years on a case-to-case basis.

A new online portal has been developed for facilitating filing of online applications for Industrial License under Industries (Development & Regulation) Act - IDR Act 1951/Arms Act 1959.

THE EXECUTION

Rationalisation of Defence Product List has de-licensed many items in Defence Sector. Removal of items from Defence Product List has reduced the ambiguity regarding licensing procedure.

The applications filed by the industry are downloaded and circulated to the SHQs for comments.

The comments received are then placed before the Standing Committee for recommending or otherwise for grant of IL.

SITUATION BEFORE REFORM

The initial validity of the Industrial Licence granted under the IDR Act was just 3 years, which did not provide sufficient time span for companies to operate without taking approvals.

Prior to the online system, the applications were received by post and even circulated by post. This resulted in inordinate delay in disposing of the applications.

IMPROVEMENT AFTER REFORM

PROCESS IMPROVEMENT:

Increase in validity of Industrial Licenses has provided sufficient time and space for companies to operate and manufacture without hindrance.

FINANCIAL BENEFITS:

Easing of licensing procedure has provided companies with better opportunities to get finances from institutions.

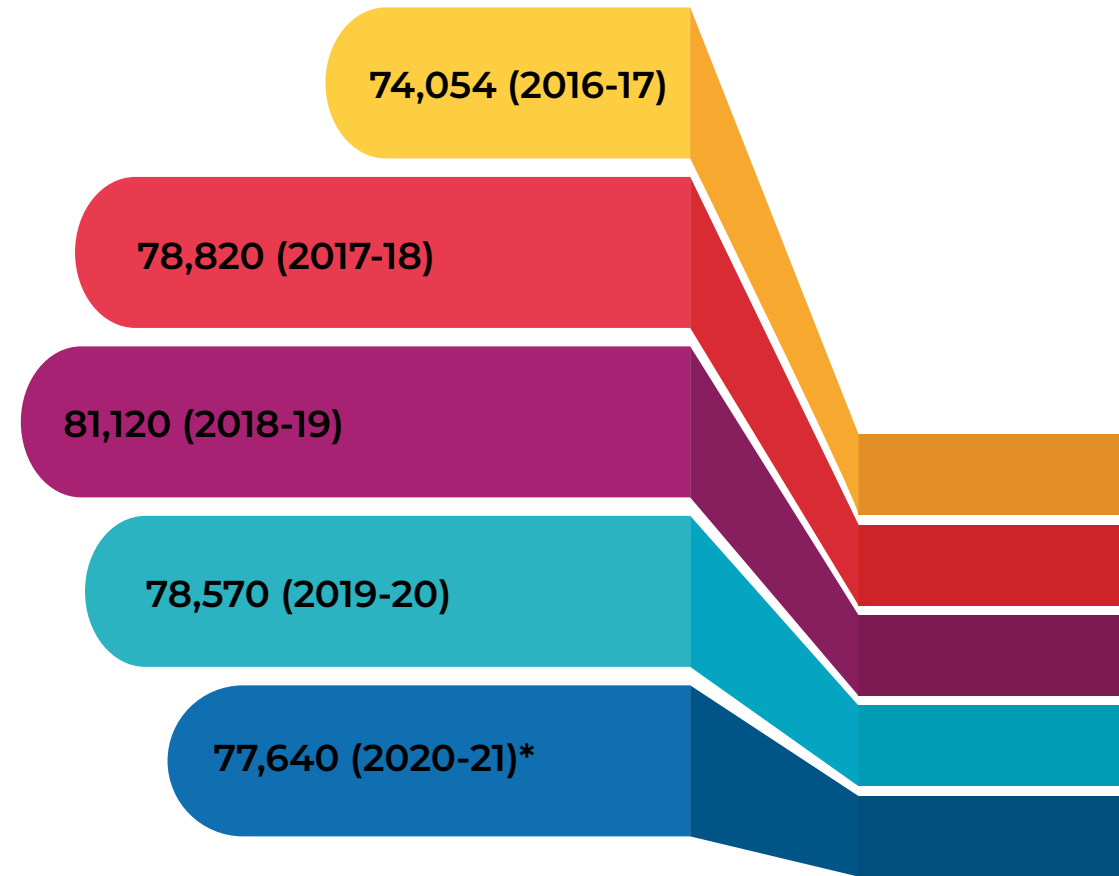
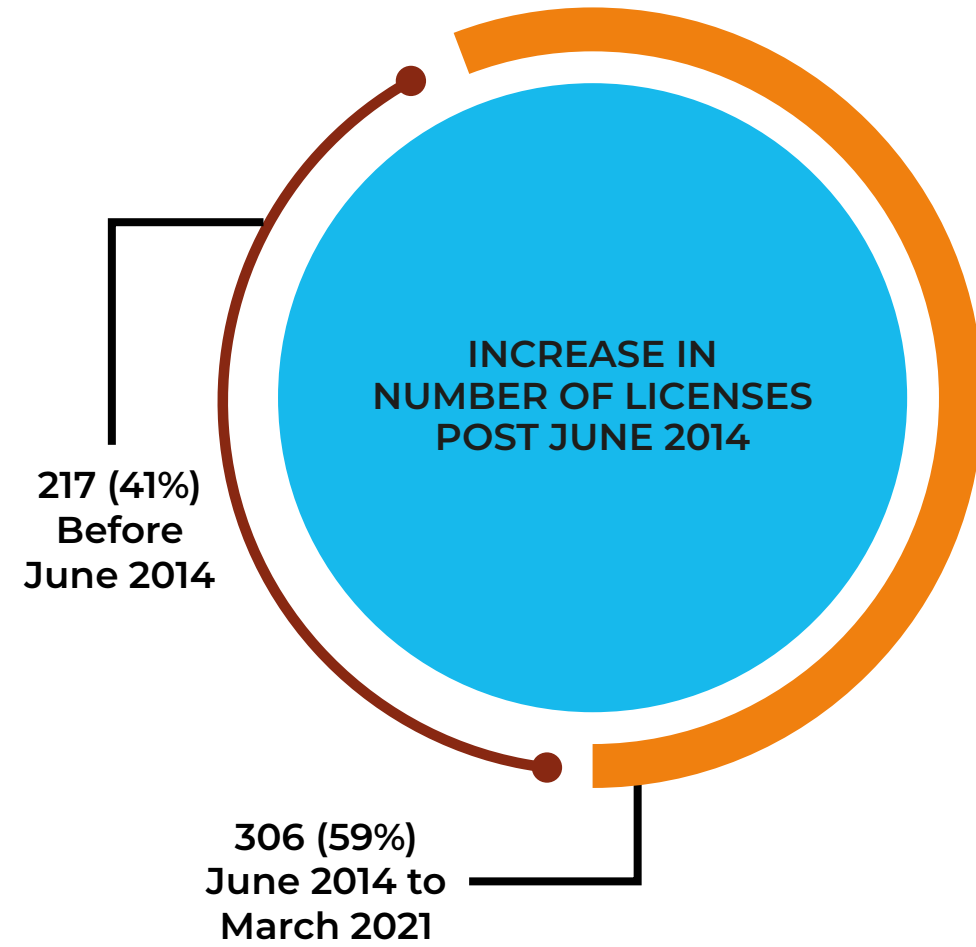
A B2G portal has been developed for filing of online applications for Industrial License under Industries (Development & Regulation) Act - IDR Act.

The ease in filing applications for Industrial License has resulted in increase in number of licenses and faster approvals.

THE ACHIEVEMENTS

Total 523 Industrial Licenses have been issued so far.

DEFENCE PRODUCTION TURNOVER IN ₹ CRORE



*Provisional. Period marred by COVID Pandemic.

15

VI - DEFENCE INVESTOR CELL

THE INITIATIVE

Defence Investor Cell has been created in February 2018 in the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector.

THE EXECUTION

DIC is envisaged to act as single point of contact for addressing all defence production related queries of entrepreneurs/industry.

It disseminates information to budding defence entrepreneurs, guides them, and answers their queries related to SHQs/DPSUs/OFB.

DIC disseminates information, answers queries of entrepreneurs and innovators.

It acts as an interface between Industry/Innovators on one side and SHQs/DPSUs/OFB on the other.



SITUATION BEFORE REFORM

Prior to it, the situation was hazy for any common aspiring entrepreneur/innovator who did not know whom to approach and put forth their queries/ideas to.

Also, it was difficult for industry, especially MSMEs, as to whom to put their grievances to.

IMPROVEMENT AFTER REFORM

Post formation of DIC, this haze has withered and Industry/Entrepreneurs/Innovators find it easy to reach the DIC for redressal of their queries and grievances.

DIC actively takes their cases and resolves them by liaising with SHQs/DPSUs/OFB.

THE ACHIEVEMENTS

DIC has successfully handled more than 1000 cases/queries in the last two years since its inception.

An abstract graphic design featuring several overlapping, semi-transparent geometric shapes in various shades of teal and blue. The shapes include triangles, rectangles, and trapezoids, some of which are oriented at an angle, creating a sense of depth and movement. The background is white, and the overall composition is clean and modern.

ENHANCING INDIGENISATION

I - SRIJAN PORTAL

THE INITIATIVE

An Indigenisation portal namely SRIJAN has been launched on 14/08/2020 for DPSUs/OFB/Services with an industry interface to provide development support to MSMEs/Start-ups/Industry for import substitution.

THE EXECUTION

The Department of Defence Production of Ministry of Defence has developed a portal named, srijandefence.gov.in, as “Opportunities for Make in India in Defence”.

The main objective of the portal is to enable the private sector to become partners in Indigenisation efforts of Defence Public Sector Undertakings (DPSUs), OFB and the Armed Forces.

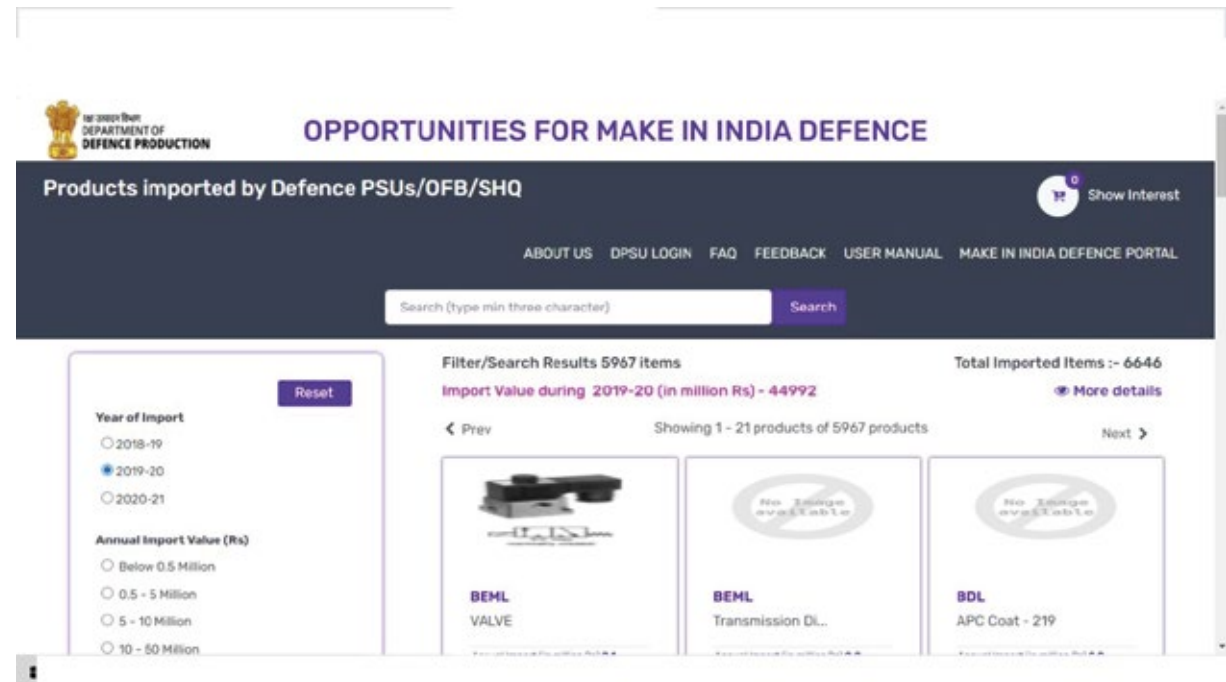
The portal is a non-transactional online market-place, where DPSUs/OFB/SHQs display the items that they import or are in the process of importing along with their quantity and import cost.

DPSUs/OFB/SHQs also display those items on the portal that have been planned/targeted for Indigenisation in the coming years.

Thus, through this portal, the Indian Industry is able to identify and express interest in the items for which they possess design, development and manufacturing capabilities or these capabilities can be attained by them through a joint venture with OEMs.

The concerned DPSUs/OFB/SHQs, based on their requirement of the items and their respective guidelines and procedures, interact with the interested Indian Industry for Indigenisation.

The interested Indian Industry can also interact with concerned DPSUs/OFB/SHQs for any queries related to Indigenisation through the contact details provided under each item.



SITUATION BEFORE REFORM

Earlier, the DPSUs/OFB were carrying out in-house indigenisation with a limited number of Indian vendors.

Such facility was not available centrally and all DPSUs/OFB were pursuing indigenisation at individual levels.

The major focus was on imports.

IMPROVEMENT AFTER REFORM

Due to a dedicated indigenisation portal, all stakeholders i.e. the DPSUs/OFB/SHQs/DRDO and private vendors are able to interact with each other.

Details of imported items including specifications, drawings, quantity and import price on the portal enables Indian vendors to identify items within their capabilities.

THE ACHIEVEMENTS

More than 9206 items have been displayed on the Srijan defence portal. The Industry has shown interest in 2099 items. These items are being processed for indigenisation by DPSUs/OFB.



II - INDIGENISATION OF COMPONENTS

THE INITIATIVE

Government has notified a 'Policy for Indigenisation of Components and Spares used in Defence Platforms' in March 2019.

THE EXECUTION

The Policy aims "to create an industry ecosystem which is able to indigenise the imported components (including alloys and special materials) and sub-assemblies for defence equipment and platform manufactured in India and to leverage the said capability to create components export market".

It is estimated that Defence PSUs will reduce the import bill by more than ₹ 15,000 Cr by 2022 through indigenisation of products and processes.

The policy envisages strategies which include among others, preference to indigenous components, resulting in significant savings in cost, setting up indigenisation portal, IP policy for indigenised components, support for development of technological capabilities, testing of items being indigenised at No-Cost, No-Commitment basis, long term orders, setting up dedicated Defence Testing Infrastructure, Indigenisation Fund, Encouraging Export, etc.



SITUATION BEFORE REFORM

Earlier, the DPSUs/OFB were carrying out in-house indigenisation with limited number of Indian vendors.

IMPROVEMENT AFTER REFORM

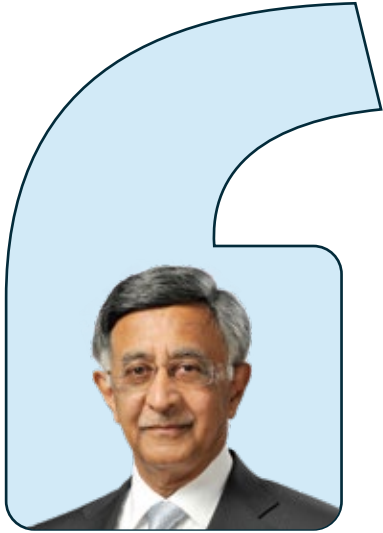
Pursuant to the new policy implementation, detailed frameworks/notifications for long term orders, Make II procedure, third party testing have been issued which has created dedicated infrastructure and procedures for indigenisation.

Now, long term orders enable DPSUs/OFB to place supply orders for items required by end users in a time period of upto 10 years which brings economies of scale for vendors.

THE ACHIEVEMENTS

So far, total 1499 items have been indigenized against the target of 1244 for the year 2020-21. DDP has set the target of indigenization of 5000 components during the period 2020-25.





We are greatly encouraged and re-energized by the focused policy interventions and path-breaking reforms introduced by the Ministry of Defence with clear focus on self-reliance and Indigenisation. In line with the vision of an Aatmanirbhar Bharat, we as Indian Industry, should now lay heightened emphasis on development of Indigenous Intellectual Property (Indian IP) in frontier technologies and critical weapon systems/platforms.

Baba Kalyani

Chairman, CII Manufacturing Council
and Chairman & MD, Bharat Forge Ltd.



III - INDO-RUSSIAN COOPERATION

THE INITIATIVE

An Inter-Governmental Agreement (IGA) on “Mutual Cooperation in Joint Manufacturing of Spares, Components, Aggregates and other material related to Russian/Soviet Origin Arms and Defence Equipment” was signed in September 2019.

THE EXECUTION

The objective of the IGA is to enhance the “After Sales Support” and operational availability of Russian origin equipment currently in service in Indian Armed Forces by organising production of spares and components within India by Indian Industry by way of creation of Joint Ventures/Partnership with Russian Original Equipment Manufacturers (OEMs) under the framework of the “Make in India” initiative.

SITUATION BEFORE REFORM

Before this reform, the spare parts were being imported from Russia.

IMPROVEMENT AFTER REFORM

After this reform, more than 550 items have been identified which would now be manufactured in India.





TAPPING *THE* WORLD MARKET

I - EXPORTS

THE INITIATIVE

- i. Focused attention on promotion of exports of Indian Defence products.
- ii. Export authorisation procedures have been simplified and streamlined through online mechanism.
- iii. Intensive involvement of private industries in Defence production.
- iv. Targeted outreach programmes.

SITUATION BEFORE REFORM

- i. Before the Defence Exim Portal was launched, except for receiving applications on website, the entire mechanism of processing was manual.
- ii. The communication used to happen through letters/post leading to delays.
- iii. At many times, the representatives of the firms used to directly approach the Department for clarifications and submission of documents.
- iv. Export of Indian Defence products was not a priority area. No outreach activities were there.

THE EXECUTION

- i. Defence Exim Portal is an end-to-end solution.
- ii. The online applications filed by the registered exporters are processed and approved by the Department online.
- iii. Digitally signed Export Authorisations are issued online.
- iv. These digitally signed authorisations can be verified by the agencies from anywhere thereby cutting the chances of any fake certificate.
- v. Even consultation with stakeholders is done online.
- vi. Colour coding has been provided in the portal for indicating the receipt of comments of stakeholders.
- vii. Alerts are sent to the stakeholders.
- viii. Export leads received from the Defence Attachés in various Indian missions abroad are shared with Exporters online.
- ix. For repeat orders i.e. export of same items to same countries/entities, Export Authorisations are issued within a day.

IMPROVEMENT AFTER REFORM

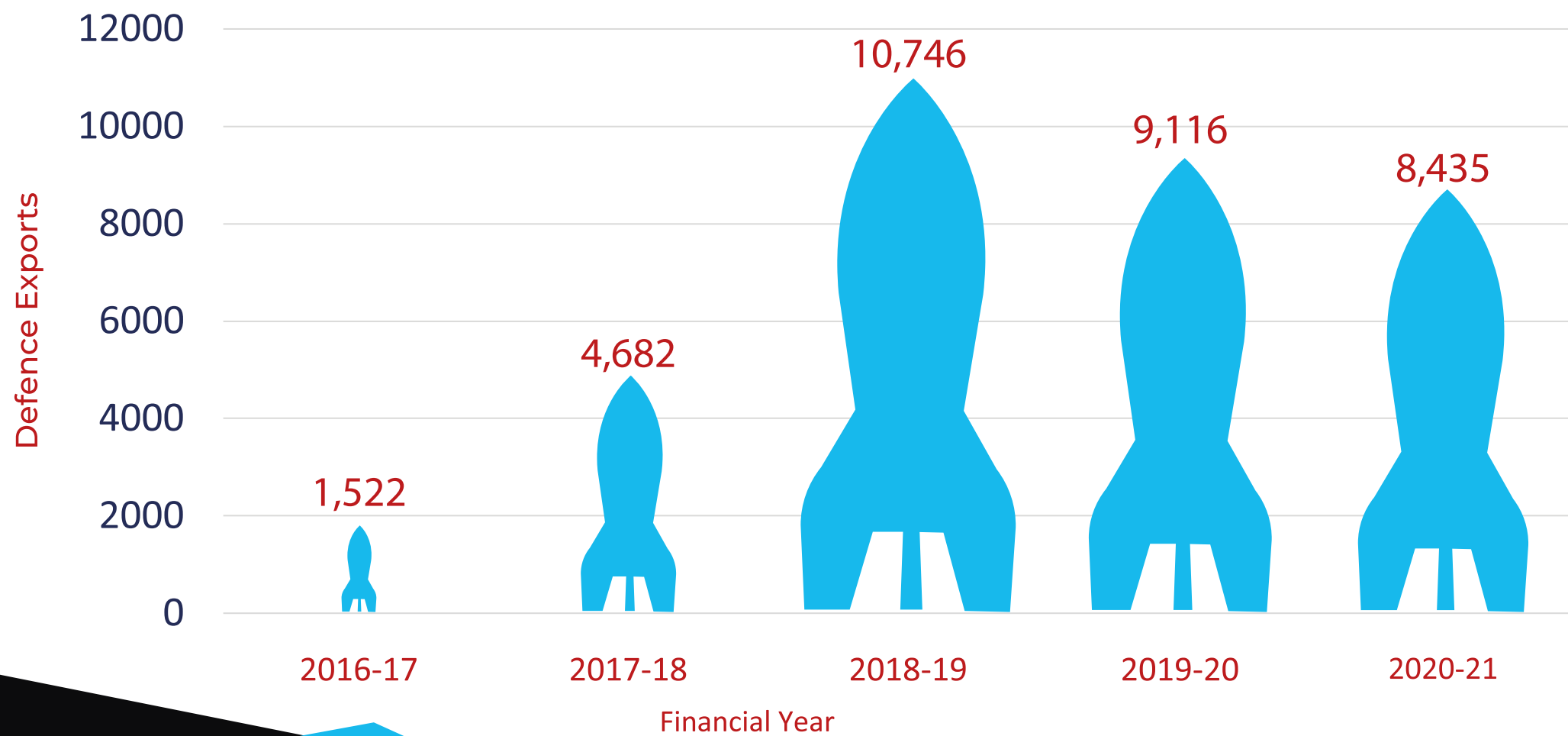
- i. Now applications for export Authorisations are received online, processed and digitally signed Authorisations are issued.
- ii. Positive impact on the Defence Export Industry.
- iii. The number of authorisations issued and the export value based on such authorisations has increased manifold.

- iv. The average time taken to grant Export Authorisation also reduced from 86 days to 35 days for systems/sub-systems and from 24 days to 13 days for parts and components with the introduction of the online system.
- v. Through regular Webinars with involvement of Government and Industries Associations, many Friendly Foreign Countries (FFCs) have shown their interest in Indian Defence products.
- vi. DPSUs have been assigned specific geographical regions/countries to establish their offices and promote exports.

THE ACHIEVEMENTS

The defence export has grown tremendously since 2017-18.

DEFENCE EXPORTS BASED ON AUTHORISATIONS (AMOUNT IN ₹ CRORE)



2016-17

2017-18

2018-19

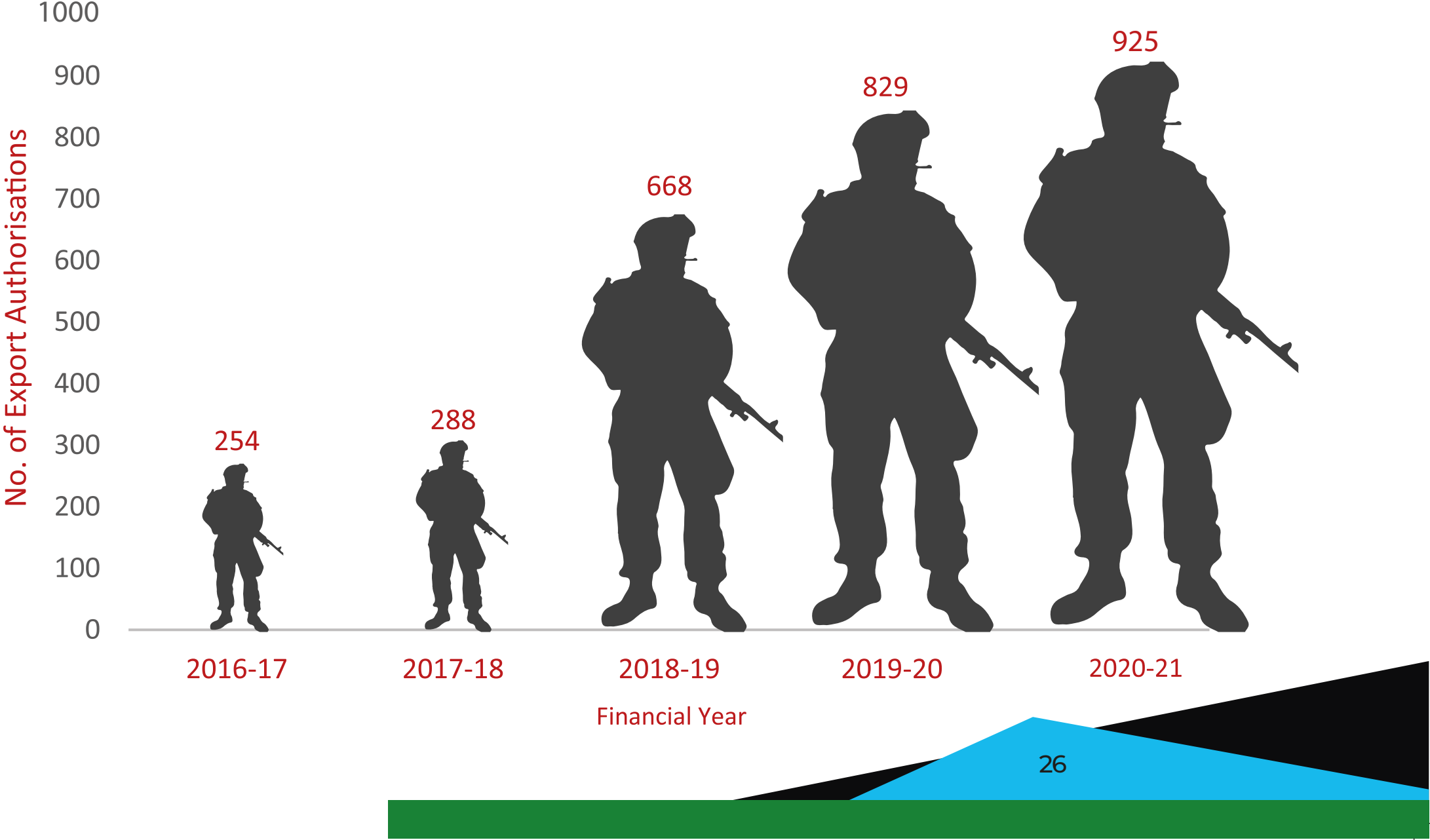
2019-20

2020-21

Financial Year

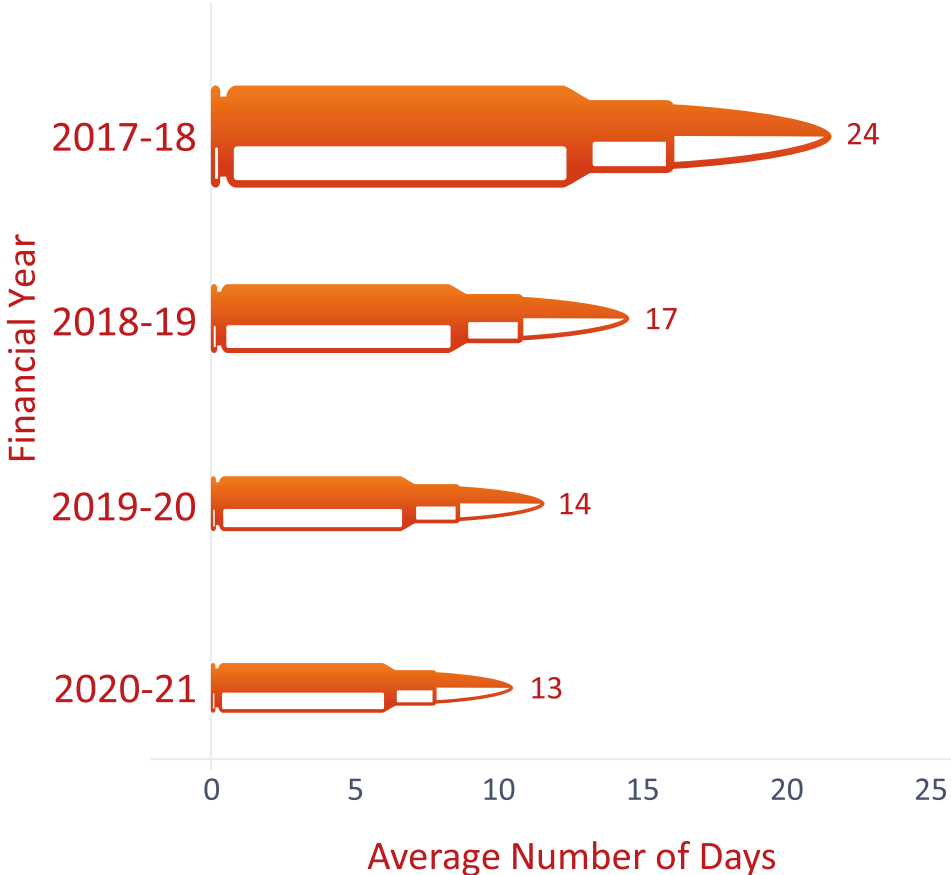
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YEAR-WISE NO. OF EXPORT AUTHORISATIONS

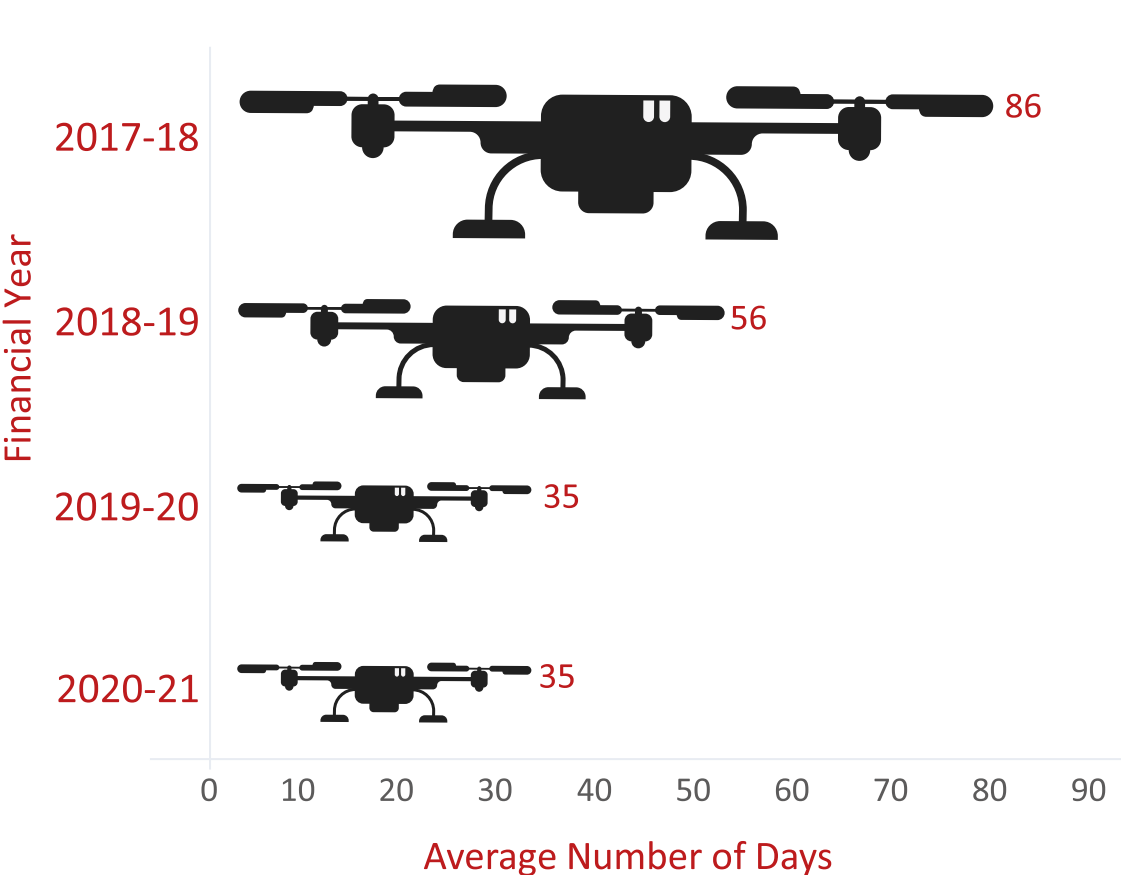


Average number of days taken in issuing Export Authorisations

AVERAGE NUMBER OF DAYS TAKEN IN ISSUE OF EXPORT AUTHORISATIONS OF PARTS/COMPONENTS



AVERAGE NUMBER OF DAYS TAKEN IN ISSUE OF EXPORT AUTHORISATIONS OF SYSTEMS/SUB-SYSTEMS



NO. OF COUNTRIES WHERE EXPORTS DONE



Increase in Number of Exporters

No. of Exporter	19	31	58	74	76
	2016-17	2017-18	2018-19	2019-20	2020-21

28

II - OPEN GENERAL EXPORT LICENSE

THE INITIATIVE

Notification of the Open General Export License (OGEL) and launching of Online Portal.

THE EXECUTION

It is a one-time export license, which permits the industry to export specified items to specified destinations, enumerated in the OGEL, without seeking export authorisation during the validity of the OGEL.

SITUATION BEFORE REFORM

For every export, the company had to seek authorisation from the Department.

IMPROVEMENT AFTER REFORM

OGEL permits the firms exporting items specified in the OGEL to the listed countries without approaching the Government.

However, it is mandatory for the company to have an Internal Compliance Plan in place to get the benefit of OGEL.





**HARNESSING DESIGN AND
DEVELOPMENT CAPABILITIES**

I - MAKE-I PROCEDURE

THE INITIATIVE

The 'Make' Procedure of capital procurement has been simplified. The successfully developed prototypes under the supervision of the services are considered for direct procurement.

There is a provision for funding of 70% of development cost by the Government to Indian industry under Make-I category.

In addition, there are specific reservations for MSMEs under the 'Make' procedure.

SITUATION BEFORE REFORMS

The procedure initially promulgated in 2005. However, due to a lack of clarity and a cumbersome process, it led to delays.

IMPROVEMENT AFTER REFORM

The revised simplified procedure is more industry friendly, thus encouraging participation in Make Process.



II - MAKE-II PROCEDURE



THE INITIATIVE

Separate procedure for 'Make-II' category (Industry funded) has been notified under Defence Procurement Procedure 2016 to encourage indigenous development and manufacture of defence equipment.

THE EXECUTION

Number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc. have been introduced in this procedure.

SITUATION BEFORE REFORM

There were no enabling provisions available where an industry could participate in indigenous development of defence items.

IMPROVEMENT AFTER REFORM

Assurance of orders (on competitive basis) on successful development of prototype has encouraged private industry to undertake indigenous development and manufacture of defence equipment.

THE ACHIEVEMENTS

So far, 56 projects relating to Army, Navy and Air Force, have been accorded Approval in Principle (AIP), worth ₹30,000 Cr.



UASS INDIGENOUS PROTOTYPE

The indigenously developed prototype of Upper Air Sounding Systems (UASS) under Make-II Procedure, is now ready for trials before induction at the Naval Air Stations. The system will be used for the profiling of upper atmospheric meteorological parameters, using radio sounds.

The functions of the UASS will be as follows -

- i. Upper Air Profile for Weather Prediction and Generation of Aviation Met Reports for ships and Air stations, comprising of ground receiving station & antenna.
- ii. Assessment of Anomalous Propagation Conditions.
- iii. Ballistic Correction for Ammunition Firing.

As per Make-II Procedure, 10 MSMEs participated in the development of the UASS prototype under guidance of the Indian Navy. The estimated cost of the development of the prototype was about ₹ 40 Cr. These prototypes are now ready for trials. Indian Navy has already placed an order of 60 numbers.

This system developed under the Make-II procedure has high market potential including exports due to its utility in IMD, Indian Armed Forces, as well as the civil sector worldwide.

III - INNOVATIONS FOR DEFENCE EXCELLENCE



THE INITIATIVE

An innovation-based ecosystem for defence entitled Innovations for Defence Excellence (iDEX) has been launched in April 2018.

THE EXECUTION

iDEX aims at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging industries including MSMEs, Start-ups, Individual Innovators, R&D Institutes and Academia and providing them grants/funding and other support to carry out R&D which has potential for future adoption for Indian Defence and Aerospace needs.

SITUATION BEFORE REFORM

Prior to this, there was no institutionalised mechanism to promote innovation in Defence Sector.

IMPROVEMENT AFTER REFORM

Subsequent to launch of iDEX, more than 1200+ Start-ups and Innovators responded to the 4 rounds of Defence India Start-up Challenge (DISC) and open challenge.

84 Start-ups/individuals have been selected to receive innovation grants in 38 technological areas (challenges). 39 contracts have been signed and prototypes are under development.



EASING *THE* BUSINESS

I - TESTING FACILITIES

THE INITIATIVE

Opening up of Testing facilities available with the Government to the private sector.

THE EXECUTION

All the Government organisations viz DRDO, DGQA, OFB, DPSUs, SHQs have uploaded their list of testing facilities and offered to the private sector along with procedure and Nodal Officer details, so that any private company is able to approach them directly for availing the testing facility.

SITUATION BEFORE REFORM

Private sector companies had to make their own arrangements and get the testing done from Indian/international private agencies.

IMPROVEMENT AFTER REFORM

Testing facilities available with Government entities have been made available to the private sector.

THE ACHIEVEMENTS

Private sector companies now have the option to make use of Government testing facilities while carrying out development of defence products.

The Government testing infrastructure is optimally utilised bringing efficiency into the system.



II - EXCHANGE RATE VARIATION PROTECTION

THE INITIATIVE

Exchange Rate Variation protection has been made applicable for Indian Private Sector on par with Public Sector Undertakings for all categories of capital acquisitions.

SITUATION BEFORE REFORM

Exchange Rate variation protection was not applicable in cases categorised as 'Buy (Indian)' except for DPSUs in ab-initio Single Vendor cases or when nominated as Production Agency.

IMPROVEMENT AFTER REFORM

By DPP 2016, Exchange Rate variation has been made applicable for Rupee contracts with Indian Vendors, based on RFPs issued under all categories of capital acquisitions.

This has resulted in a level playing field for Indian private sector on par with Public Sector Undertakings for all categories of capital acquisitions.



III - THIRD PARTY INSPECTION

THE INITIATIVE

Defence Sector, under the 'Make in India' initiative of the Government of India, is being provided the impetus and support for development and manufacturing of defence products. To augment the resources available with DGQA, a scheme for outsourcing of Third-Party Inspection (TPI) was promulgated on 30/05/2018.

The EXECUTION

Five firms have been registered as TPI agencies: -

- i. M/s Bureau Veritas (India) Pvt. Ltd., Mumbai.
- ii. M/s International Certification Service Pvt. Ltd., Mumbai.
- iii. M/s TUV India Pvt. Ltd., Mumbai.
- iv. M/s TUV SUD Pvt. Ltd., Mumbai.
- v. M/s IR Class System & Solutions Pvt. Ltd., Mumbai.

For being eligible to be registered as TPI with DGQA, the firm must have requisite certifications/accreditations and shall apply for registration to DGQA. DGQA then conducts an on-site visit to ascertain the capacity/capability of the TPI agency. The validity of registration is for a period of five years and thereafter renewed subsequently in cycles of five years based on self-declaration and past performance.

IMPROVEMENT AFTER REFORM

The scheme aims to fast track the QA process of defence equipment.

The qualified third-party testing agencies are empanelled by DGQA, and Users (Services: Army, Navy, Air Force, OFB, DPSUs, DRDO, Industry) have the option to offer some of the stores being procured to these agencies for testing.



**EXHIBITIONS AND OUTREACH
PROGRAMMES IN 2020-21**

I - AERO INDIA 2021

- i. Aero India 2021, the world's first ever hybrid Aero and Defence Exhibition was held at the Air Force Station, Yelahanka, Bangalore from 3/02/2021 to 5/02/2021 and was dedicated to Business Visitors only, due to COVID-19 restrictions. The customary public days were omitted for the first time due to the pandemic.
- ii. The theme for Aero India 2021 has been 'The Runway to a Billion Opportunities' aiming at forging partnerships between Foreign and Indian firms which translate to discovery of newer avenues in the global value chain through fast-tracking the Indigenisation process, co-development and co-production.



- iii. Aero India 2021 was inaugurated on 3/02/2021 by the Hon'ble Raksha Mantri with the emphasis on achieving 'Atmanirbhar Bharat'. The event witnessed the participation of 602 registered exhibitors (524 Indian exhibitors and 78 foreign exhibitors) and 338 virtual exhibitors. The contract for 83 Light Combat Aircraft Tejas was handed over to Hindustan Aeronautics Limited (HAL) during the Inaugural Ceremony. The valedictory event was graced by the Hon'ble President of India, Shri Ramnath Kovind on 5/02/2021.
- iv. Hon'ble Raksha Mantri inaugurated India Pavilion based on the theme – 'Rotary Wings' i.e., Helicopters. It aimed to depict the journey and the potential of our indigenous blades of glory along with a glimpse of a roaring future of rotary wing systems including UAVs in the country through rapid Indigenisation. India Pavilion witnessed the highest ever participation from more than 70 exhibitors including Govt. organisations, PSUs, Indian private majors, MSMEs & Start-ups of the country.
- v. The Chiefs of Air Staff Conclave with the theme 'Leveraging Aerospace Power for Security and Stability' was organised on 3/02/2021 & 4/02/2021. About 40 countries (24 countries physically and 16 virtually) from across the continents, including USA, Europe, West Asia, Central Asian Republics, South East Asia, Africa, Indian Ocean Region and the Indo Pacific Region attended the conclave.
- vi. Indian Ocean Region(IOR) Defence Ministers' Conclave themed on 'Enhanced peace, security and cooperation in the Indian Ocean Region' was organised on 4/02/2021 with the view to promote a dialogue and to strengthen the vision of Security and Growth for All in the Region(SAGAR) with an emphasis on economic and safety support among the littoral states, towards sustainable regional development and towards promoting collective action to deal with threats like natural disasters, piracy, terrorism, illegal, unreported and unregulated fishing etc.



- vii. 26 countries from the IOR region attended the conclave (18 physical and 8 virtual mode). The conclave confirmed physical participation from 18 countries including Defence Ministers from four countries (Maldives, Comoros, Iran, and Madagascar), 6 Ambassadors/High Commissioners representing their countries (Australia, Kenya, Seychelles, Mauritius, Kuwait, and Myanmar), Defence Secretary of Sudan and Service Chiefs of 10 countries.
- viii. Aero India 2021 is expected to boost the growth of the Aerospace and Defence sector and promote India as a preferred global manufacturing destination. It may attract more FDI, increase indigenisation, improve employment opportunities in defence sector and promote export furthering the cause of the 'Self-Reliant India' initiative.



II - WEBINAR ON BUDGET ANNOUNCEMENTS 2021-22

- i. A webinar on Budget announcements 2021-22 was organised by the Ministry of Defence, Government of India on 22/02/2021 to bring together all stake holders contributing to the Defence ecosystem in the country.
- ii. The objective was to stimulate discussion on future roadmap for Indigenisation and growth of Defence & Aerospace sector in the country.
- iii. Hon'ble Prime Minister, Shri Narendra Modi delivered a keynote address in the inaugural session. In his speech, he shared his vision of 'Aatmanirbhar Bharat' in Defence through greater private sector participation in design and development of defence systems, Positive List of defence items to increase the manufacturing capacity of the country, transitioning the country from one of the world's biggest arms importer to a major defence exporter and capacity/expertise building within the country by our Academic and Research Institutions.
- iv. Hon'ble Raksha Mantri, Shri Rajnath Singh in his opening remarks stressed on the impact of Budget in accelerating economic growth and creating job opportunities in the Defence & Aerospace sector. He also highlighted that the investment of 63 percent of the Capital outlay kept for military modernisation for 2021-22 has been planned for domestic procurement.



- v Hon'ble Raksha Mantri also touched upon the initiatives taken up by the Ministry of Defence in recent times to give a boost to defence capabilities in the country, including enhanced delegation of financial powers under capital procurement for faster processing and implementation of projects, approval of AONs worth ₹75,000 Cr, out of which 87% relate to Make in India, moving towards greater ease of doing business through online issuance of Open General Export Licence (OGEL) and Import Licences and enhancing the financial powers under 'Make-I'.
- vi. The webinar was participated by Services/ ICG, Officials of MoD, DPSUs/OFB, Industry Associations such as FICCI, ASSOCHAM, SIDM and CII and PHD Chamber of Commerce & Industry, domestic and foreign industries including MSMEs & Start-ups, and iDEX partner organisations. All put together, the webinar was attended by about 2000 participants. Hon'ble Raksha Mantri made the following announcements to encourage the private sector to play a pivotal role in Aerospace and Defence sector:



- Domestic procurement to be about 63% of the allocated amount for military modernisation i.e., about ₹70,221 Cr for 2021-22.
- Second Positive List for Aatmanirbhar Bharat to be notified soon.
- Issuance of Letter of Intent (LoI) to HAL for Light Utility Helicopter (LUH) so that the platform can be inducted in the Services on the occasion of India@75 i.e., August 2022 to commemorate the 75th Anniversary of India's Independence.
- Efforts will be made to increase direct procurement from the domestic private sector to more than 15% of the total capital procurement in the financial year 2021-22.
- Endeavour will be made to ensure that the period from grant of AON to signing of contract is shortened and limited to two years, for which close monitoring will be done.
- Efforts will be made to accord Approval in Principle (AIP) and finalize some projects having value from ₹500 Cr to ₹2000 Cr on competitive basis in the next financial year.
- To address the funding issues of MSMEs and Startups, ₹10,000 Cr 'Fund of Funds' has already been created by the Government of India. Complete support will be extended to the Defence and Aerospace Sector in utilising the fund.
- Approval in Principle (AIP) will be accorded for at least 5 Make-I Projects in 2021-22.
- Start-ups and MSMEs may offer indigenous products/solutions to the Services under 'iDEX - open challenge' route or 'Make-II Suo Moto'.
- For indigenisation of military materials including critical and strategic raw materials, a Task Force comprising of officers from MoD, Services, Industry and Academic Institutions will be constituted. The task force will assist in preparing a roadmap and an implementation framework for the same.
- To give a major boost to development of innovative defence technologies and support a growing Start-up base in the country, Ministry of Defence would channelize **₹ 1,000 Crore during 2021-22 for procurement from the iDEX Start Ups.**

III - WEBINAR WITH FOREIGN COUNTRIES TO PROMOTE EXPORTS

India has set a defence export target of US \$5 billion by the year 2024. Several initiatives are being taken by the Department of Defence Production (DDP) to achieve the same. In this connection, webinars and expos are being organised with Friendly Foreign Countries(FFCs) by the Department of Defence Production with assistance from industry associations like FICCI and SIDM. High level participation is ensured in these webinars including officials of MoD, MEA, Industry associations and defence industries of India and respective countries. Defence industries of India, both public and private, showcased their products and capabilities in these webinars.

As on date, webinars with 15 FFCs, namely Israel, Cambodia, Kazakhstan, UAE, Myanmar, Indonesia, Uzbekistan, Bangladesh, South Africa, Nigeria, Australia, Turkmenistan, Brazil, Maldives, and Nepal have been held. Virtual exhibitions were also set up as digital solutions due to the ongoing pandemic. Webinars with many more countries are in the pipeline.

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MINISTRY OF
DEFENCE
भारत सरकार



रक्षा उत्पादन विभाग
DEPARTMENT OF
DEFENCE PRODUCTION
GOVERNMENT OF INDIA

