

Sectoral

Defence Manufacturing

1. What is the defence sector overview in recent times?

The Achievement report of the defence sector covering policy initiatives, R&D and other important areas can be accessed on the link.

2. Is there funding provided by the government for certain categories?

Yes, projects under 'Make-I' sub-category involves Government funding of 90%, released in a phased manner and based on the progress of the scheme, as per terms agreed between MoD and the vendor.

3. Are there any incentives for MSMEs under DPP?

DPP 2016 provides great impetus to the MSMEs with certain categories of 'Make' products earmarked exclusively for MSMEs.

4. How are the capital acquisition schemes classified under DPP?

Capital Acquisition schemes are broadly classified as 'Buy', 'Buy and Make' and 'Make'. In decreasing order of priority the procurement of defence equipment, under this procedure are categorised as follows: 1) Buy (Indian - IDDM). 2) Buy (Indian). 3) Buy and Make (Indian). 4) Buy and Make. 5) Buy (Global).

5. What is the Defence Procurement Procedure (DPP) 2016?

The DPP is formulated to ensure timely procurement of military equipment, systems and platforms as required by the Armed Forces in terms of performance capabilities and quality standards, through optimum utilisation of allocated budgetary resources. It is worthwhile to mention that the document is

not merely a procurement procedure but also an opportunity to improve efficiency of the procurement process to realize the vision of 'Make in India' in the defence sector.

6. How many JVs/ FDI proposals have been approved in the defence sector so far?

Since May, 2001 after opening the defence production sector for 100% participation in private sector, so far 36 JVs/FDI proposals have been approved for manufacture of wide range of licensable defence items.

7. What is the FDI inflow in the defence sector since the opening for Private Participation?

As per the FDI statistics available at DIPP's website, an FDI inflow of \$ 5.12 million (INR 25.51 crores) has been received in the country till September 2017 (as per data available on DIPP's website).

8. Which is the Administrative Ministry for the grant of extension for Defence Industrial Licence? Where should the company apply for extension of Defence Industrial License?

Ministry of Defence, Department of Defence Production is the Administrative Ministry for grant of extension of Industrial licence under the I(D&R) Act, 1951 to the private sector. The Company may send their IL extension application to Contract Purchase Officer, Department of Defence Production, Ministry of Defence, D(DIP) Section, Sena Bhawan, New Delhi.

9. What is the permissible FDI limit in the defence sector?

DIPP vide Press Note No. 5 of 2016 Series dated 24 June 2016 notified review of Foreign Direct Investment (FDI) Policy on various sectors including which includes conditions related to FDI in defence at Para 5 of the said Press Note. According to the revised guidelines, Foreign Investment Cap upto 49% is allowed through automatic route and beyond 49% under Government route, wherever it is likely to result in access to modern technology or for other reasons to be recorded. The foreign investment in defence sector is further subject to industrial license under the Industries (Development & Regulation Act), 1951. The detailed guidelines in this regard may be seen under the Press Note available at DIPP website (link, followed by link Acts & Rules).