

Defence Production Policy-2018



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PREAMBLE

- ❖ Self-reliance in defence production goal of India's defence production strategy since 1960s.
- ❖ Government also announced a Defence Production Policy 2011.
- ❖ Significant progress in domestic defence production.
- ❖ Despite some salient achievements, significant part of our defence requirements continue to be dependent on imports.



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- ❖ Government under 'Make in India' programme has given a new impetus to development of defence production in the country.
- ❖ Defence Production Policy 2018 attempts to further build on these initiatives.
- ❖ Provides a focused, structured and significant thrust to development of defence design and production capabilities in the country.



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VISION

- ❖ To make India among the top five countries of the world in Aerospace and Defence industries, with active participation of public and private sector, fulfilling the objective of self-reliance as well as demand of other friendly countries.



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VISION

- ❖ Several initiatives taken in the last four years to promote greater participation of industry:
 - Revision in Defence Procurement Procedures.
 - Introduce 'Make-I' and 'Make-II' processes.
 - Introduction of Strategic Partnership Model.
 - Increase in FDI through automatic route to 49%.
 - Restricting licensing requirements for critical items.
 - Denotifying items previously produced by OFBs.



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GOALS & OBJECTIVES

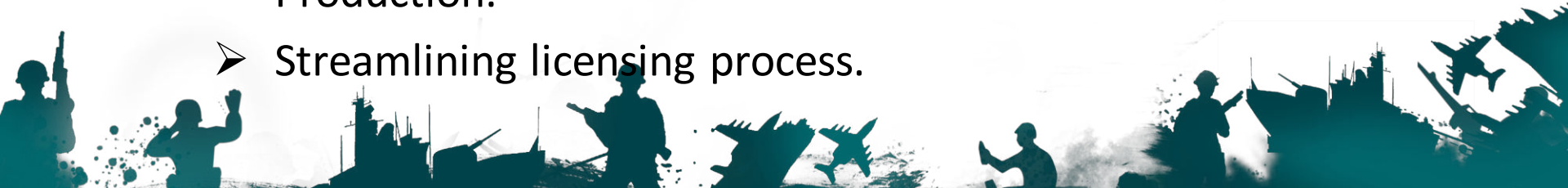
- ❖ To achieve a turnover of Rs 1,70,000 Crores (USD 26 Bn approx) in defence goods and services by 2025.
- ❖ Additional investment of nearly Rs 70,000 Crores (USD 10 Bn approx) creating employment for nearly 2 to 3 Million people.
- ❖ To achieve export of Rs 35,000 Crores (USD 05 Bn approx) by 2025.
- ❖ To reduce dependence on imports and to achieve self-reliance in development and manufacture of major weapon systems/platforms latest by 2025 like Fighter Aircraft, Helicopters, Warships, Land Combat Vehicles, Missile Systems, Electronic Warfare (EW) Systems etc.



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STRATEGIES

- ❖ Policy elaborates a range of 100 strategies/initiatives to achieve the aforesaid goals.
- ❖ These strategies have been clubbed in 19 broad categories
 - Ease of Doing Business in Aerospace & Defence Production.
 - Synergy between Defence Procurement and Defence Production.
 - Streamlining licensing process.



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STRATEGIES (contd)

- Open Competition in defence procurement.
- Liberalizing FDI in Defence upto 74% for niche technologies.
- Streamlining offsets to attract greater investment.
- Rationalization of tax structure in defence production.



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STRATEGIES (Contd)

- Market creation.
- Vendor Development and Outsourcing.
- Infrastructure Development, setting up of two Defence Industry Corridors and testing Infrastructure.
- Boosting Ordnance Factory Board & Defence PSUs.



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STRATEGIES (Contd)

- Revamping Standardization & Quality Assurance to align with global best practices.
- Export Promotion of defence and aerospace systems.
- Promotion of Innovation and R&D ecosystem including setting up Defence Innovation Hubs across the country through a Scheme for Innovation in Defence Excellence (iDeX).
- Promoting Startups in aerospace and defence production.



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STRATEGIES (Contd)

- Promoting Aerospace industry including exploring the need for setting up of an Aerospace Commission.
- Promoting Electronics and Cyber space related industry including Artificial Intelligence.
- Skill Development for Defence & Aerospace Sector
- Governance



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JUSTIFICATION

- ❖ Domestic demand driven by
 - increasing capabilities and weapon acquisition programs of potential adversaries
 - emergence of new technologies.
- ❖ Domestic production in 2016-17 was about Rs 60,000 crore.
- ❖ Actual value-addition in the domestically produced defence equipment/platforms is approx. 40%.
- ❖ At the current rate of growth, the domestic production can cater demand of Rs 1,00,000 Cr in 2025 against a demand of Rs 1,40,000 Cr & the rest would have to be met by imports.
- ❖ Need for course correction viz. strengthening of domestic production capabilities and capacities.



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FINANCIAL IMPLICATIONS

- ❖ No budgetary support is sought.
- ❖ Financial implication of individual strategies would be considered when detailing each of the said proposals.

APPROVAL SOUGHT

- ❖ To approve the Defence Production Policy 2018



THANK YOU

