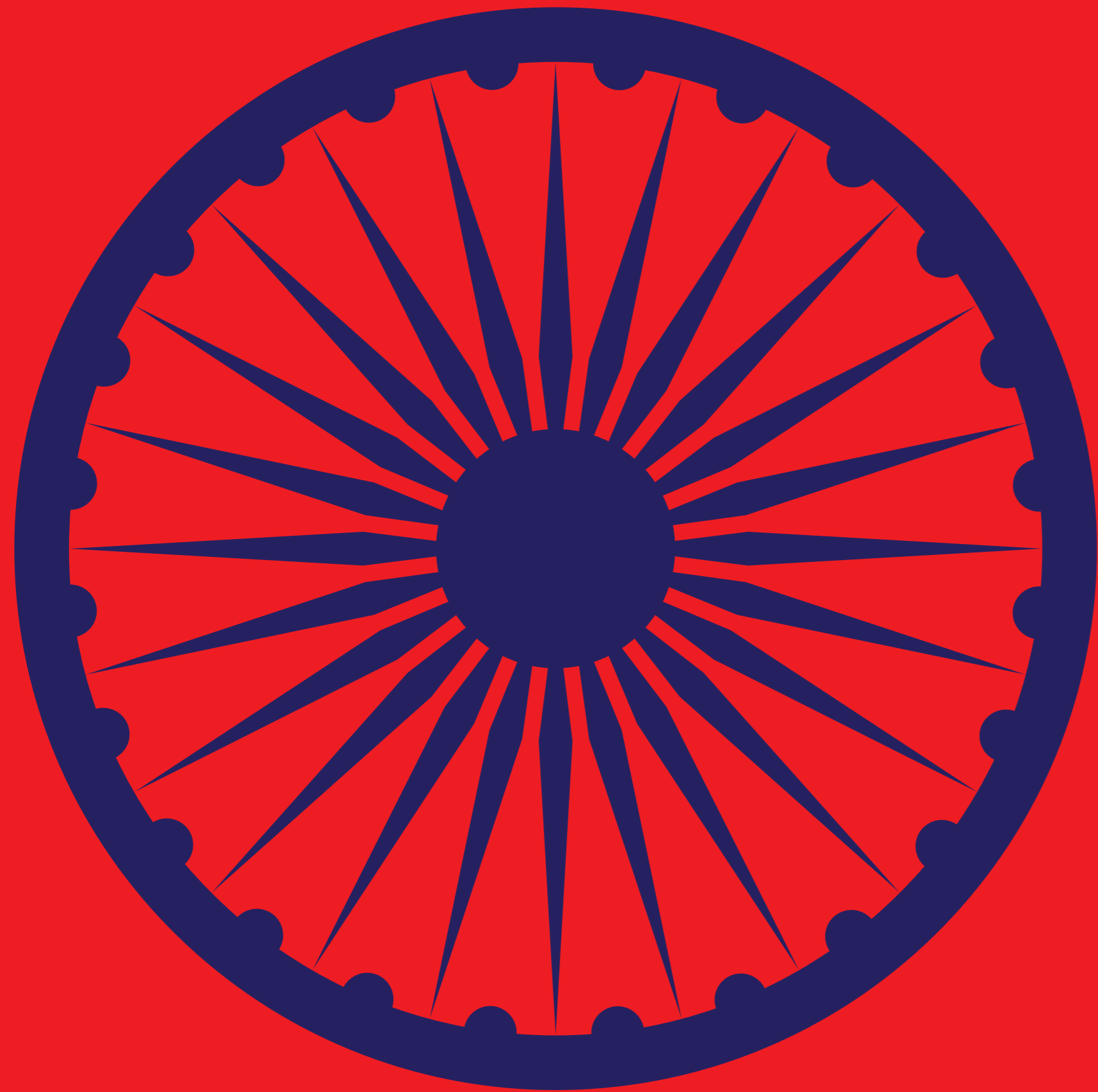




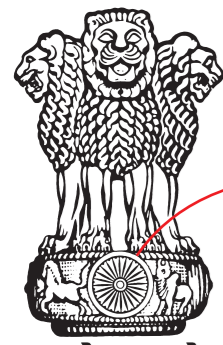
# MAKE IN INDIA

DEFENCE MANUFACTURING



**FROM AGRICULTURE TO AUTOMOBILES  
FROM HARDWARE TO SOFTWARE  
FROM SATELLITES TO SUBMARINES  
FROM TELEVISIONS TO MOVIES  
FROM BRIDGES TO BIOTECHNOLOGY  
FROM PAPER CLIPS TO POWER PLANTS  
FROM ROADS TO CITIES  
FROM FRIENDSHIP TO PARTNERSHIP  
FROM PROFIT TO PROGRESS  
WHATEVER YOU WANT TO MAKE:  
**MAKE IN INDIA****

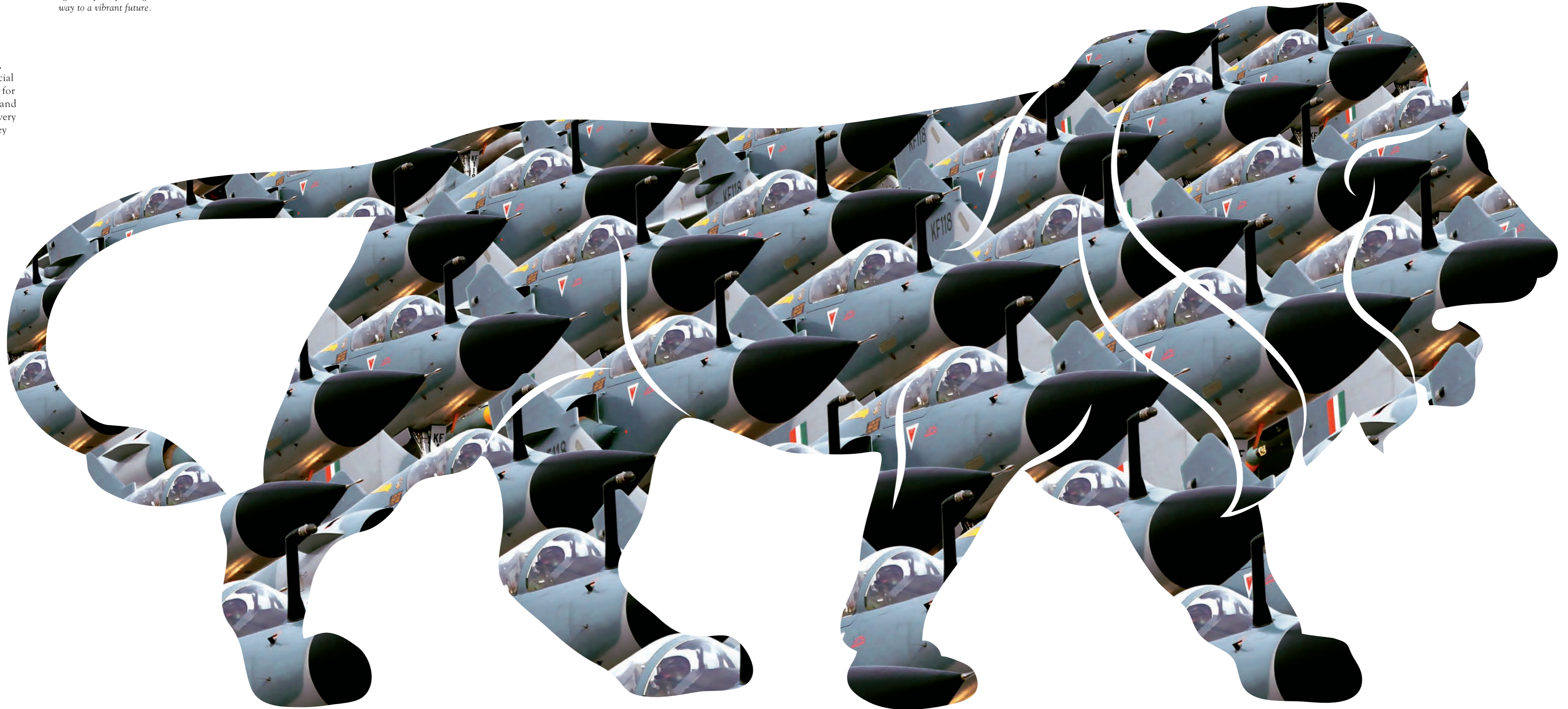




सत्यमेव जयते

*The Ashoka Chakra is a central element in India's national emblem and also forms the centrepiece of India's national flag. The wheel denotes peaceful progress and dynamism – a sign from India's enlightened past, pointing the way to a vibrant future.*

Since time immemorial, the Lion has been the official emblem of India. It stands for strength, courage, tenacity and wisdom – values that are every bit as Indian today as they have ever been.







# BULLET PROOF

INDIA HAS A DEFENCE SPEND OF  
USD 37.3 BILLION AND IS BIG ON  
PROCUREMENT.

3RD LARGEST ARMED FORCES IN THE WORLD.

40% OF BUDGET SPENT ON CAPITAL ACQUISITIONS.

60% OF REQUIREMENTS MET BY IMPORTS.

INR 250 BILLION TO BE INVESTED IN 7-8 YEARS.



# NEW INITIATIVES

THE MAKE IN INDIA PROGRAM INCLUDES MAJOR NEW INITIATIVES DESIGNED TO FACILITATE INVESTMENT, FOSTER INNOVATION, PROTECT INTELLECTUAL PROPERTY AND BUILD BEST-IN-CLASS MANUFACTURING INFRASTRUCTURE.

## 1 NEW PROCESSES

- SPECIAL FOCUS ON EASE OF DOING BUSINESS
- DE-LICENSING & DEREGULATION

## 2 NEW INFRASTRUCTURE

- INDUSTRIAL CORRIDORS
- INDUSTRIAL CLUSTERS
- SMART CITIES
- NURTURING INNOVATION
- SKILL DEVELOPMENT

## 3 NEW SECTORS

- OPENING OF CRITICAL SECTORS LIKE DEFENSE, CONSTRUCTION AND RAILWAYS FOR FDI

## 4 NEW MINDSET

- DEDICATED TEAMS THAT WILL GUIDE AND ASSIST FIRST-TIME INVESTORS FROM TIME OF ARRIVAL
- FOCUSED TARGETTING OF COMPANIES ACROSS SECTORS



# FACTS + FIGURES

## REASONS TO INVEST

→ India's current requirements on defence are catered largely by imports. The opening of the strategic defence sector for private sector participation will help foreign original equipment manufacturers to enter into strategic partnerships with Indian companies and leverage the domestic markets and also aim at global business. Besides helping build domestic capabilities, this will bolster exports in the long term.

→ Opportunities to avail defence offset obligations to the tune of approximately INR 250 Billion during the next 7-8 years.

→ The offset policy (which stipulates the mandatory offset requirement of a minimum 30% for procurement of defence equipment in excess of INR 3 Billion) introduced in the capital purchase agreements with foreign defence players would ensure that an eco-system of suppliers is built domestically.

→ The government policy of promoting self-reliance, indigenization, technology upgradation and achieving economies of scale and developing capabilities for exports in the defence sector.

→ The country's extensive modernization plans, an increased focus on homeland security and India's growing attractiveness as a defence sourcing hub.

→ High government allocation for defence expenditure.

## GROWTH DRIVERS

→ Defence Production Policy, 2011 to encourage indigenous manufacture of defence equipment. Defence Procurement Procedure (DPP) has been amended to provide for the following :

1. Preference to 'Buy (Indian)' and 'Buy and Make (Indian)' over 'Buy (Global)'.
2. Simplification of the procedure for 'Buy and Make (Indian)'.
3. Clear and unambiguous definition of indigenous content.
4. Provision for Maintenance TOT to Indian Industry partners.

→ Defence products list for industrial licensing, has been articulated in June 2014, wherein large numbers of parts/components, castings/forgings etc. have been excluded from the purview of industrial licensing. The same is available at the DIPP's website, [www.dipp.gov.in](http://www.dipp.gov.in).

→ The defence security manual for the private sector defence manufacturing units have been finalized and put in public domain by the Department of Defence Production. The manual clarifies the security architecture required to be put in place by the industry while undertaking sensitive defence equipments.

→ The MAKE procedure, which aims to promote R&D in the industry with support from the government and the placement of orders (if R&D effort is successful), is also being revised to make it more attractive and unambiguous for the private sector.

## STATISTICS

→ India has the third largest armed forces in the world.

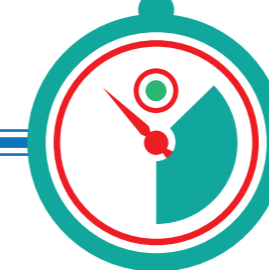
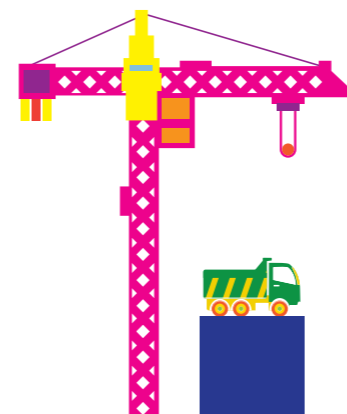
→ India is one of the largest importers of conventional defence equipment and spends about 40% of its total defence budget on capital acquisitions.

→ About 60% of its defence requirements are met through imports.

→ The allocation for defence in the last budget was approximate USD 37.3 Billion.

## INVESTMENT OPPORTUNITIES

- Defence products manufacturing.
- Supply chain sourcing opportunity.
- Defence offsets.







## FDI POLICY

- Up to 49% investment is allowed under the government route, above 49% on a case-to-case basis on approval by the Cabinet Committee on Security, wherever it is likely to result in access to modern and state-of-the-art technology.
- Investments by foreign portfolio investors/FIIs (through portfolio investment) are permitted up to 24% under automatic route.
- The defence industry is subject to industrial licenses under the Industries (Development and Regulation) Act, 1951.
- The requirement of single largest Indian ownership of 51% of equity removed.
- A lock-in period of 3 years on equity transfer has been done-away with in FDI for defence.
- FDI in the defence sector is subject to other security conditions.



## SECTOR POLICY

### PROCUREMENT POLICY:

→ The defence procurement is governed by the Defence Procurement Procedure (DPP). The government has now decided to revise the DPP every year.

### OFFSET POLICY:

→ The key objectives of the defence offset policy is to leverage capital acquisitions to develop the Indian defence industry. Mandatory offset requirements of a minimum of 30% for procurement of defence equipment in excess of INR 3 Billion have been envisaged.

### GUIDELINES FOR ESTABLISHING JOINT VENTURE (JV) COMPANIES BY DEFENCE PSUs:

→ A well laid out policy for formulation of joint venture between Defence PSUs and private sector keeping in view the objective of Defence Production Policy.

### PROCEDURES FOR THE GRANT OF INDUSTRIAL LICENSES HAVE BEEN STREAMLINED:

→ The initial validity period of industrial licenses has been increased to three years from the present two years.

→ Guidelines for the extension of validity of industrial licenses have been issued.

→ Partial commencement of production is treated as commencement of production of all the items included in the license.



## FINANCIAL INCENTIVES

### KEY PROVISIONS OF THE 2014-2015 UNION BUDGET:

- Provision of INR 2,290 Billion for defence services.
- Capital outlay for defence increased by INR 50 Billion including a sum of INR 10 Billion for accelerating the development of the railway system in the border areas.
- INR 1 Billion is provided to set up a Technology Development Fund for defence.
- INR 22.5 Billion has been provided to strengthen and modernise border infrastructure.
- The scope of exemption for granting full exemption from Basic Custom Duty (BCD) and Countervailing Duty (CVD) on goods imported for use in the manufacture of aircraft for the Ministry of Defence is being clarified to the effect that the exemption is available to all materials in any form and articles thereof, subject to the overall condition that they conform to aeronautical specifications accompanied with a certificate of conformance and/or a release note.

Either of the following two deductions can be availed:

→ Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plants and machinery acquired and installed between 01.04.2013 to 31.03.2015 provided the aggregate amount of investment in the new plants and machinery during the said period exceeds INR 1 Billion.

→ In order to provide a further fillip to companies engaged in the manufacture of an article or thing, the said benefit of additional deduction of 15% of the cost of new plants and machinery, exceeding INR 250 Million, acquired and installed during any previous year until 31.3.2017.

### TAX INCENTIVES:

- R&D Incentives - Industry/private sponsored research programmes.
- A weighted tax deduction is given under Section 35 (2AA) of the Income Tax Act.
- A weighted deduction of 200% is granted to assesseees for any sums paid

to a national laboratory, university or institute of technology, or specified persons with a specific direction that the said sum would be used for scientific research within a programme approved by the prescribed authority.

→ For companies engaged in the manufacture of an in-house R&D centre, a weighted tax deduction of 200% under Section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. Expenditure on land and buildings are not eligible for deduction.

### STATE INCENTIVES:

Apart from the above, each state in India offers additional incentives for industrial projects. Incentives are in areas like subsidised land cost, relaxation in stamp duty exemption on sale/lease of land, power tariff incentives, concessional rates of interest on loans, investment subsidies/tax incentives, backward areas subsidies, special incentive packages for mega projects.

### EXPORT INCENTIVES:

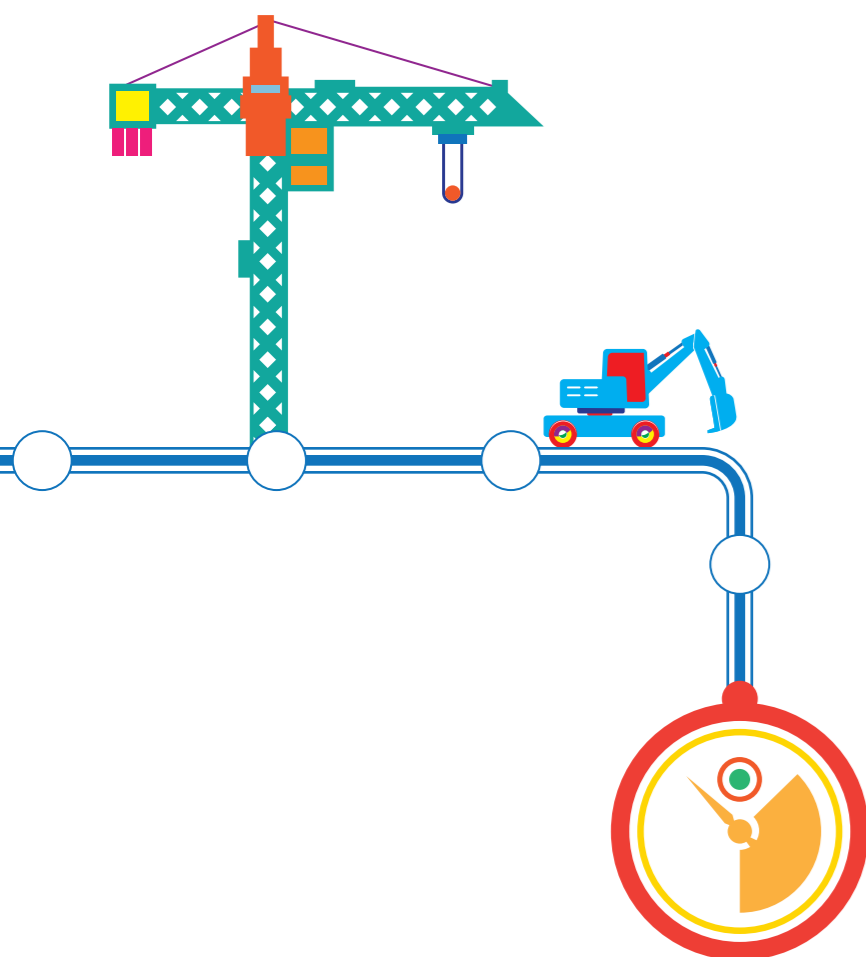
- Export promotion capital goods scheme.
- Duty remission scheme.
- Focus product scheme, special focus product scheme, focus market scheme.

### AREA BASED INCENTIVES:

→ Incentives for units in SEZ/NIMZ as specified in respective Acts or for the setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

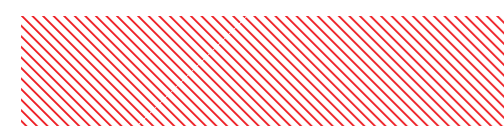






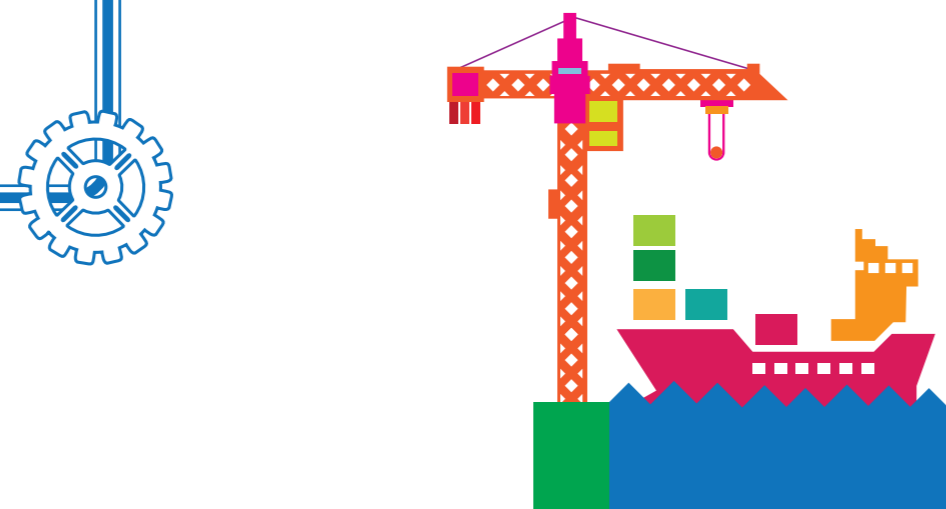
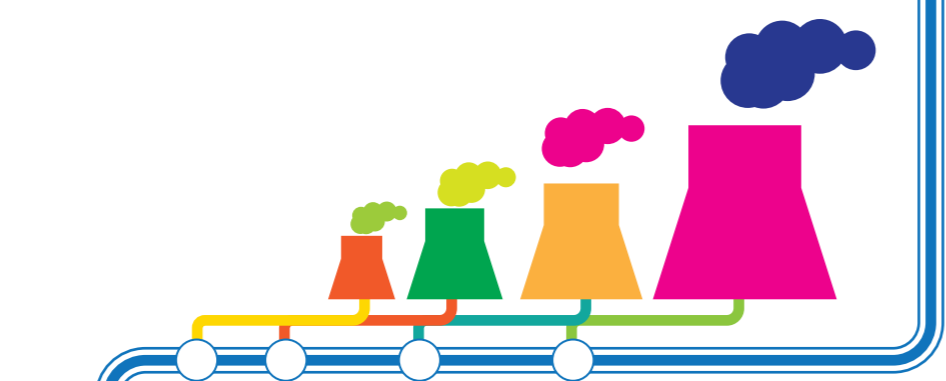
## AGENCIES

- Ministry of Defence, Government of India (<http://mod.nic.in>)
- Department of Defence Production, Ministry of Defence (<http://ddpmod.gov.in>)
- Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India (<http://dipp.gov.in>)
- Department of Commerce, Ministry of Commerce & Industry, Government of India (<http://commerce.nic.in>)
- Institute for Defence Studies and Analysis (<http://idsa.in>)
- Defence and Strategic Industries Association of India (<http://disa-india.org>)



## FOREIGN INVESTORS

- BAE India Systems (UK)
- Pilatus (Switzerland)
- Lockheed Martin (USA)
- Finmeccanica (Italy)
- Boeing India (USA)
- Raytheon (USA)
- MBDA (France)
- Raffel (France)
- IAI (Israel)
- Rafael (Israel)



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## GOVERNMENT OF INDIA

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