



Defence Manufacturing To Get A Big Boost This Budget



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The government is all set to overhaul defence production under its flagship program – Make in India. For this purpose, it is expected to allocate the lion’s share of this year’s capital expenditure to defence sector. Last year, the government had allocated over Rs. 2.4 lakh crore in capital expenditure, almost 40% of it was meant for defence sector.

The Make in India initiative that aims to revive manufacturing in the country and create millions of jobs is expected to get top priority in the upcoming budget with focus on the private sector.

The idea is to get rid of the dubious tag of the world’s largest arms importer as the country historically used to import 70-80% of hardware requirement from foreign countries. The import has come down to 60% in the last two and a half years.

Puneet Kaura, MD & CEO of Samtel Avionics told Rajya Sabha TV: “The platform level manufacturing capability in defence industry in India at the moment is limited to PSUs and a handful of large joint ventures. Thus to strengthen its military capabilities, the government had to give approvals to purchases from foreign vendors.”

“At the same time, the defence procurement policy has been bolstered to give impetus to the local indigenous manufacturing industry. So even if the Make in India initiative is not leading to 100 per cent end-to-end Indian manufacturing, it is instrumental in driving



The government is trying to encourage indigenous production of defence hardware under its flagship program – Make in India.

the focus of the world towards the Indian manufacturers, and is generating opportunities for them,” adds Puneet Kaura whose company is engaged in production of high end avionics and display systems for Indian Airforce in collaboration with public sector utility HAL.

Amit Cowshish, former advisor (acquisitions) to ministry of defence says that implementation of seventh pay commission recommendations will require a huge amount of money, estimated to be over Rs. 1 lakh crore and there are pressing demands from other sectors, especially infrastructure development, there seems little possibility of a substantial hike in the allocation for defence sector this year.

Last year India had allocated over around Rs. 2.47 lakh crore for defence sector, a jump of 7% over the previous year.

Cowshish told RSTV: “It is understandable but it would be disappointing if no other measures are announced in the general budget to address the myriad problems, ranging from taxation to deemed export status for the defence industry which will boost the government’s efforts to promote Make in India in defence.”

Success of Make in India program in defence sector lies with the initiatives of the defence ministry. So far, the problem has not been so much with availability of funds but the slow pace of acquisitions and the endless wait for a new framework of procurement policy and procedures.

Defence ministry urgently needs to promulgate the new defence procurement procedure without any delay and make sure that at least a handful of big projects that entail indigenous design, development and manufacture of defence equipment take off before the end of the year.

Besides the substantial increase in allocations for make-in-India, incomplete projects such as the purchase of 36 French Rafale jets is also expected to take place during this year.

The deal is valued at around Rs. 60 thousand crore for 36 Rafale aircraft. At least half the contracts, valued at \$3-5 billion, are expected to be executed by Indian companies under the off set clause.
