



DEFEXPO 2014 Seminar Report

Indigenisation of Defence Procurement “Global Partnerships towards Joint Development and Indigenisation”

**06 – 07 February 2014
New Delhi**

**Defence and Aerospace Division
FICCI
February 2014**

Introduction

FICCI along with the Department of Defence Production, Ministry of Defence organized a one and half day seminar on “Defence Procurement: Global Partnerships towards Joint Development and Indigenisation” during Defexpo 2014 on Feb 6 -7, 2014. The seminar was inaugurated by Mr GC Pati, Secretary, Defence Production in presence of senior officials from the Ministry of Defence, Indian Army, Indian Air Force, Indian Navy and the industry. Mr GC Pati speaking on the occasion of inaugural of DEFEXPO Seminar called for meaningful engagement of the private sector in defence production.

The need of self reliance and greater indigenisation was core focus as the seminar emphasised that no nation aspiring to be even a regional power can expect to achieve it without being substantively self-reliant in defence production. The eminent speakers from MoD, services, DPSUs and Private Sector emphasised on developing defence industrial base in country, and urged Indian armed forces and MoD to follow 'Look Within' policy in letter and spirit.



Inaugural Session (L to R) Dr. A. Didar Singh, Secretary General, FICCI; **Mr G C Pati**, Secretary (DP), Ministry of Defence; **Mr M V Kotwal**, Chairman, FICCI Defence Committee / Member of the L&T Board & President – Heavy Engineering, Larsen & Toubro Ltd.; **Mr Rahul Chaudhry**, Co-Chairman, FICCI Defence Committee & CEO, Tata Power SED; **Mr Vivek Pandit**, Sr. Director & Head – Energy / Defence & Aerospace, FICCI.

The seminar provided an opportunity to the industry to share the views on various aspects of the procurement, offsets and indigenisation. Mr Pati encouraged the industry to participate in “Make” programs in order to achieve substantive self reliance in defence. He further added that a host of “Make” programs can energise the defence industrial base within the country with in turn help in acheive the goal of indigenisation. Prominent speakers from ministry of defence, service headquarters alongwith the Indian

and foreign industry representatives also shared their experience relating to the procurement procedures and challenges toward indigenisation, technology transfer, co-development of technology, co-production of defence production, FDI, exports, licencing, offset facilitation and gave their recommendations to streamline the process and enhance indigenisation.

Key recommendations that were crystallised at the panel discussion:

Opportunities

There is opportunity for Indian industry to take the opportunities in offsets programmes which amounts to more than nearly Rs 24000 crores. These offsets are to be discharged in next 5-6 years. These can even go upto Rs 80000 crores in future. This is an unique opportunity for industry to grab and develop defence industrial base in country.

- The DPSUs and Ordnance Factories have served the nation well and with the changing paradigm the private sector also has key role in promoting self reliance and indigenisation. With the current level of defence acquisition, DPSUs and OFs are unable to cope with the Services requirements. This highlights the urgent need for public-private collaboration for bring efficient system in place and promote competitive environment which helps in setting up of defence industrial base in country. Govt and Indian private industry needs to partner in order to reduce the imports and move towards greater indigenisation.
- Offset policy should be used to boost indigenisation and develop R&D capabilities in defence sector. Offsets also needs to be used to boost the MSME sector and facilitate transfer of state of the art technologies.

Takeaways

- Huge opportunity in next 5 – 10 years.
- Joint Public- Private sector defence programmes to build defence industrial base in country.

Sustentative Self- Reliance

- Sustentative Self- Reliance (SSR) is the core of indigenisation. India has over the time followed 'licenced production' in defence. The licenced production is a killer of SSR and indigenisation process. DPP 2013 with the intent to reduce import and achieve sustentative self reliance in defence production rightly prioritised domestic procurement.

- We must strive for SSR – where we encourage the Indian industry to 'design and build' rather than just build on the basis of ToT. India industry must focus on 'know why' as this radical change will help India to take control over core design. SSR can be achieved with the control over core design. Encourage joint development with foreign OEM. This will help in a achieve SSR.

Takeaways

- Develop framework for partnership between public and private sector.
- Encourage companies having higher degree of indigenisation.
- Revisit the decision on Raksha Ratna Udyog and encourage industries with proven capabilities in defence.

Time Lines

- Indigenisation is a daunting task but can be achieved through concrete time bound action plan from MoD to reach this ambitious milestone. It is important for the government to put in place short, medium and long-term targets and milestones to not only 'enhance' indigenization but to achieve self-reliance in defence within set time-frames. The emphasis on timeframes and milestones is important so that the country doesn't lose any more time towards this end.
- In addition to setting up monitorable set time-frames for indigenisation, simultaneously, there is a need to identify areas and critical technologies which are essential for the long term perspective plan for Defence and thus need to be developed, indigenously on priority basis.

Takeaways

- Projects and Programs should have milestones with clear deliverables.
- Review of projects and programs from time to time.
- Ensure strict adherence to planned timelines.

Defence Industrial Licencing and Exports

- Licencing process needs to be streamlined on the basis of industry inputs. Ideally, there should be no licensing for defence industry also. Today, the private sector already faces many barriers to entry in the defence sector. Subjecting it to a licensing requirement does not serve any useful purpose. It also pertinent to note that it is a 'monopsony' with Government as the sole buyer. SME who manufacture niche products faces challenges in exporting their products which are mainly at

sub-sub component level. In order to encourage SME and in order to reduce CAD, we must come out with guidelines on exports which simplifies export process and are less restrictive for green channel products. It is, therefore, suggested that a Defence Export Promotion Council (DEPCO) be also set up.

Takeaways

- Single window clearance
- Need a policy on Defence Exports
- Define exportable, restrictive and non exportable items along with the negative list of countries.
- Allow Self Declared End User Certificate with penal provisions for violations, if any.
- Accord 'Deemed Export' status to all supplies made to the armed forces or by sub-contractors to integrators of systems.

Level Playing Field

- The Indian (private sector) industry has been facing regressive and differential treatment in terms of taxes and duties it has to pay vis-a-vis DPSUs and foreign OEMs. There is urgent need to make policies more transparent and industry friendly so that a healthy competition between public and private sector can lead to greater innovations and indigenised technology and defence products. High quality product innovation with flexible production lines needs to be encouraged and promoted.

R&D

- MoD should establish a DARPA like entity in the "National Technology Council" as proposed by the Naresh Chandra Committee. There is a urgent need to enhance productivity in defence sector.
- 'Design Agency' status should be conferred to DPSUs and OFs. Agency Holding Sealed Particulars (AHSP) is a British legacy which must be abolished.

Takeaways

- To test, industry needs test beds, ammunition, these can be made available thru the PPP route

International Treaties and Pacts

- Existing rules and regulations do not adequately define a 'defence product'. Unlike some other countries and international arms control organisations, which define defence and dual use items through a comprehensive list (e.g., the Munitions List & List of Dual-Use Goods and Technologies of the Wassenaar Arrangement), in India there is no such list to give clarity to what constitute a defence and dual-use product. India should vigorously pursue membership of the WASSENAAR ARRANGEMENT: As a member of Wassenaar Arrangement India would be free from the denial regime in respect of 'dual use items'. It would also help us in exports to member countries.

Stage by Stage Progression

- DRDO is playing a catalyst role in the working with Indian industry. DRDO moved from 'print to build' to 'build to design' and encouraged its vendor companies to design and manufacture. This stage was further advanced with the 'build to specification' where DRDO defines the specifications and give the same to industry to take it forward to design, build and manufacture the sub-systems. Some of the companies have moved to one more advanced stage 'build to requirements', where the requirement is spelled out to the industry and industry comes back with a solution for discussion.
- DRDO will be focusing more on strategic, security sensitive and highly complex systems, whereas industry houses will look for delivery of systems. Industry also need to forge partnership with global partners and delivering systems and products to the services.

MSMEs

- Long term product support is an area where Indian industries needs to be encouraged and prepared to take up opportunity. This is possible with cooperation and ToT between OEM and Indian MSMEs willing to take maintenance and support services. MoD should encourage defence MSMEs to understand the maintenance and support requirements of big ticket purchases. Define technologies and products that are required from MSMEs. Product profiles should be shared with industry associations for circulation to MSMEs. Encourage MSME's to participate in NCNC trials. The costly NCNC trails should take care of cost burden on MSMEs through policy vision.

- Consortium needs to be encouraged where a combination of small, medium and large players work towards development of niche technology and objectively progressing towards SSR and greater indigenisation.
- MSMEs are financially vulnerable and constantly under pressure from financial aspect. Long delays in project planning, execution and delays in payments impact MSMEs very badly.

Takeaways

- Allow MSMEs as IOP's for contracts in the pipeline or currently being undertaken.
- Develop LRUs.
- Create facilities for testing of products.
- Strengthen DOMW.
- Priority sector lending to defence MSMEs with reduced interest rates in order to encourage MSMEs and support niche technology and product development.
- Incentivation of MSMEs based on the degree of indigenisation.

Key Statistics

The seminar hall saw a packed audience with more than 125 delegates, which included representatives from foreign embassies, officers from the Ministry of Defence, Indian Air Force, Indian Army, Indian Navy, foreign defence attaches, delegates from Indian and foreign industry, scholars from leading defence think tanks and students.

Programme Glimpses



Indigenisation Vision: Way Forward for Indian Industry (L to R) **Patrick Philippart**, Vice President – Business Development, MBDA; **Dr S Sundaresh**, DS & CCR&D (PC&SI) and DG (ACE), Defence Research & Development Organisation; **Mr Rahul Chaudhry**, Co-Chairman, FICCI Defence Committee & CEO, Tata Power SED; **Col (Retd) Rajinder Bhatia**, Executive Vice President & CEO, Bharat Forge Ltd; **Mr Vivek Pandit**, Sr. Director & Head – Energy / Defence & Aerospace, FICCI.



Indigenisation - Teaming for Development: Indian Perspective (L to R) **Cmdr Aseem Anand**, Principal Director, Directorate of Indigenisation, Indian Navy; **Shri Sanjay Garg**, Joint Secretary (DIP), Ministry of Defence; **Air Marshal M Matheswaran AVSM, VM, DCIDS (PP&F), HQIDS**; **Mr Ravindra Gupta**, Former Secretary (DP) and Chairman of the Task Force on Defence Modernisation and Self Reliance; **Mr M V Kotwal**, Chairman, FICCI Defence Committee / Member of the L&T Board & President – Heavy Engineering, Larsen & Toubro Ltd.; **Mr S K Sharma**, Chairman & Managing Director, Bharat Electronics Ltd; **Mr Vivek Pandit**, Sr. Director & Head – Energy / Defence & Aerospace, FICCI



Indigenisation - Teaming with MSMEs (L to R) Mr Rakesh Sharma, CEO, Ultra Electronics; Mr Ramesh Pandey, Joint Development Commissioner, Ministry of MSME; Mr. A.K Gupta, Additional Secretary (DP), Ministry of Defence; Mr Ashok Kanodia, Chairman, FICCI Defence Sub Committee on MSME & CMD, Precision Electronics Ltd; Mr. George B White, Director, South Asia, International Strategic Partnerships, Boeing Defense, Space & Security; Mr Ashok Atluri, Chairman & Managing Director, Zen technologies Ltd; Mr Vivek Pandit, Sr. Director & Head – Energy / Defence & Aerospace, FICCI.

AGENDA

Day 1: February 06, 2014	
INAUGURAL SESSION (1430- 1530 hrs)	
	Session Moderator: Mr Vivek Pandit, Sr. Director & Head – Energy / Defence & Aerospace, FICCI
1430 - 1440 hrs	Welcome Address by Dr. A. Didar Singh, Secretary General, FICCI
1440 - 1500 hrs	Inaugural Address by Mr G C Pati, Secretary (DP), Ministry of Defence
1500 - 1510 hrs	Vote of Thanks by Mr M V Kotwal, Chairman, FICCI Defence Committee / Member of the L&T Board & President – Heavy Engineering, Larsen & Toubro Ltd.
1510 - 1530 hrs	Tea/Coffee Break
Panel Discussion 1: Indigenisation Vision: Way Forward for Indian Industry (1530 – 1730 hrs)	
1530 - 1540 hrs	Opening Remarks by the Session Chair: Air Marshal M Matheswaran AVSM, VM, DCIDS (PP&FD), HQIDS
1540 - 1550 hrs	Key Note Address by Mr Ravindra Gupta, Former Secretary (DP) and Chairman of the Task Force on Defence Modernisation and Self Reliance
1550 - 1635 hrs	Panellist: <ul style="list-style-type: none"> • Mr M V Kotwal, Chairman, FICCI Defence Committee / Member of the L&T Board & President – Heavy Engineering, Larsen & Toubro Ltd. • Mr S K Sharma, Chairman & Managing Director, Bharat Electronics Ltd. • Mr Sanjay Garg, Joint Secretary (DIP), Ministry of Defence • Cmde Aseem Anand, Principal Director, Directorate of Indigenisation
1635 - 1720 hrs	Question & Answer Session
1720 - 1730 hrs	Closing Remarks by Session Chair
1730 hrs	End of Session

Day 2: February 07, 2014	
Panel Discussion 2: Indigenisation - Teaming for Development: Indian Perspective (1000 – 1200 hrs)	
1000 - 1020 hrs	Opening Remarks by the Session Chair: Dr S Sundaresh, DS & CCR&D (PC&SI) and DG (ACE), Defence Research & Development Organisation
1020 - 1120 hrs	Panellist: <ul style="list-style-type: none"> • Mr Rahul Chaudhry, Co-Chairman, FICCI Defence Committee & CEO, Tata Power SED • Col Rajinder Bhatia, Executive Vice President & CEO, Bharat Forge Ltd. • Mr Patrick Philippart, Vice President – Business Development, MBDA
1120 - 1150 hrs	Question & Answer Session
1150 - 1200 hrs	Closing Remarks by Session Chair
Panel Discussion 3: Indigenisation - Teaming with MSMEs (1200 – 1335 hrs)	
1200 - 1210 hrs	Opening Remarks by the Session Chair: Mr. A.K Gupta, Additional Secretary (DP), Ministry of Defence
1210 - 1320 hrs	Panellist: <ul style="list-style-type: none"> • Mr Ramesh Pandey, Joint Development Commissioner, Ministry of MSME • Mr Ashok Kanodia, Chairman, FICCI Defence Sub Committee on MSME & CMD, Precision Electronics Ltd • Mr Ashok Atluri, Chairman & Managing Director, Zen technologies Ltd • Mr. George B White, Director, South Asia, International Strategic Partnerships, Boeing Defense, Space & Security • Mr Rakesh Sharma, CEO, Ultra Electronics
1320 - 1330 hrs	Question & Answer Session
1330 - 1340 hrs	Closing Remarks by Session Chair
1340 hrs	Networking Lunch & End of Seminar

Panel Discussion 1: Indigenisation Vision: Way Forward for Indian Industry

Air Marshal M Matheswaran, AVSM, VM, Deputy Chief Integrated Defence Staff (Force Development, Perspective Planning) Indian Armed Forces was commissioned in the flying branch as a fighter pilot in 1975. He is a graduate of National Defence Academy and Defence Services Staff College. During his career spanning over three decades, the Air Officer has had the distinction of flying various types of fighter and transport aircraft and helicopter with over 3200 hours of flying hours. He has been awarded Vayu Sena Medal by the President of India in 1997.

Mr Ravinder Gupta has held various important portfolios in Government of India, such as Secretary, Ministry of Heavy Industries and Public Enterprises, Secretary, Department of Defence Production, Secretary, Ministry of Civil Aviation, Secretary, Ministry of Information Technology, etc. He has Extensive experience & expertise in the field of Industry, Information Technology & Civil Aviation both in the Indian and International arena. He was the Chairman of Task Force on Defence Modernisation & Self-Reliance - The Task Force made an in-depth enquiry into causes for obsolescence in defence forces and the lack of self-reliance with regard to defence equipment. A comprehensive road-map has been suggested to overcome both. Presentation made to Prime Minister in Aug 2012.

Mr. M. V. Kotwal is a Member of the L&T Board & President heading the Heavy Engineering Division and Chairman – FICCI Defence Committee. He is responsible for two Operating Companies - Heavy Engineering and Shipbuilding within the Division. Under his leadership, the Heavy Engineering Division, with its strong engineering capabilities and technological strengths, has taken a number of successful initiatives to emerge as a significant global player in the process plant equipment market. He has been instrumental in establishing L&T as a leading manufacturer of equipment for strategic sectors of nuclear, defense and aerospace. The Heavy Engineering Division is ranked amongst the top five fabrication companies in the world. It has exported high technology plant and equipment to over 40 countries including the USA, the UK, France, China and Middle East. He was a member of the Vijay Kelkar Committee tasked with advising the Government of India on restructuring defense production in the country.

Mr S.K. Sharma joined BEL in 1978 after graduating from the University College of Engineering, Bangalore. He completed his Masters in Business Administration while in service. He has wide experience in multiple disciplines covering Electronic Warfare, Avionics, Network Centric Systems, Radars and Components, having served in various capacities at Bangalore, Ghaziabad and Hyderabad Units. Mr S K Sharma took charge as the Chairman & Managing Director on January 1, 2014. He was Director (Bangalore Complex) before his elevation. He was involved in the indigenous development of components for various strategic projects and was instrumental in setting up an automated production facility for Microwave Super-Components.

Mr. Sanjay Garg is presently posted as Joint Secretary in Department of Defence Production, Ministry of Defence. He is entrusted with work relating to Licencing of defence industries, export of defence items, international cooperation in the field of defence, examination of all Services Capital Acquisition Proposals etc.

Cmde Aseem Anand: Presently posted as the Principal Director of Indigenisation at the Integrated HQs of MoD(Navy), New Delhi, and is responsible for indigenous development of Machinery and systems for the Navy through Indian Industry. He has held numerous shore and sea appointments in the Navy, notable among them are: - Chief Engineer Officer of indigenous Frigate, INS Beas, Senior Manager (Refit) at Naval Ship Repair Yard Port Blair, Deputy Director of Marine Engineering at Naval HQs, and as Training Captain and Principal , Naval College of Engineering.

Panel Discussion 2: Indigenisation - Teaming for Development: Indian Perspective

Dr. S.Sundaresh, took charge of CCR&D (PC & SI) in September 2013. He also holds additional charge of Director General - Armament & Combat Engineering Systems (ACE). Earlier he has served as the Chief Controller R&D (ACE & SI). He was leading the MBT Arjun programme as Director, CVRDE. He has a rich experience in Project Management and Technology management in the domain of Combat vehicles. Under his leadership, production of CI Ajeya and Armoured Ambulance were established and a carrier command post tracked vehicle was successfully developed and cleared for induction. He steered the development of many technologies such as Driving Simulator on motion platform, Automatic Target Tracker, Battle Management system etc and initiated the development of technologies for Tracked Unmanned Armored Vehicles. He received the DRDO Performance Excellence Award in 2008 as the leader of the Arjun team for successful productionisation and induction of MBT Arjun in Indian Army. He received the DRDO Technology Leadership Award for 2010 for his contribution to the Combat vehicles Technologies development. He was awarded Doctor of Science (Honoris Causa) by Sathyabhama University in 2011.

Mr. Rahul Chaudhry took over the most diversified Indian Private Sector Defence Prime Contractor Tata Power SED as CEO. He was nominated as a member of Vijay Kelkar Committee Constituted by Hon. Raksha Mantri to recommend measures for strengthening self-reliance in Defence Preparedness with increased participation of Indian Industry. He brings in an extensive multinational experience in Technology, Project Management, Business Development, Mergers & Acquisitions, Operations, Corporate Governance and Developing Strategic Partnership. His key strengths are evaluating complex technology issues for their efficacy in meeting customer requirements, developing partnerships and uncover win-win situations.

Col Rajinder Singh Bhatia, a Gold Medalist from Punjab University, is an engineer with post graduation in Structures. Officer is a Fellow of Institute of Engineers and a member of All India Management Association. He has been instructor and directing staff at College of Military Engineering, Indian Military Academy and College Of Defence Management. He has also served as Defence adviser at Mauritius. He is currently employed with Kalyani Group as Executive Vice President of the Flagship Company Bharat Forge and CEO for Defence and Aerospace vertical. He is also director on the board of BFL Joint venture in the area of Advance Systems.

Mr Patrick Philippart is Vice President – Business Development of MBDA. , he was appointed MBDA Director of Commercial Operations in 2007 with a large multi-national team. He implemented technology transfer in various Countries such as Brazil, Singapore. He heavily contributed over the last years in the indigenization of the MBDA products in India, working with PSUs, big private partner and SMEs.

Panel Discussion 3: Indigenisation - Teaming with MSMEs

Mr Ashok Kanodia is the Promoter and MD of Precision Electronics Limited (PEL) and Chairman, FICCI Defence Sub-Committee on Indian Defence SME. PEL is a Provider of Communication & Electronics Products and Solutions for Mission Critical and Critical Infrastructure customers. is also actively involved with the Electronics and Telecom industry in India. He was a member of the Task Force created by the Prime Minister's Office on "Development, Manufacture and Export of IT hardware" and Kelkar Committee on Defence.

Mr. Ashok Atluri is a first generation entrepreneur, the Chairman and Managing Director of Zen Technologies Limited (ZEN) which was incorporated in 1993 with an aim of developing and manufacturing state-of-the-art training simulators for Defence, Police and Civilian needs. He was awarded the "Small Scale Entrepreneur of the Year" in 1998 by Hyderabad Management Association (HMA). Extremely project oriented, Zen has received CMMi Level 3 certification under his leadership. Under his management, Zen has delivered simulators to all the Armed Forces, State police organizations and Central Police Organizations in the country. Zen is a prime contractor to the Indian Armed Forces and has supplied multiple systems to them under the DPP

Mr Rakesh Sharma, started his career as an electronic design engineer at Marconi in 1983 before moving to Dowty as Chief Engineer of Sonar & Communication Systems in 1989. He was appointed Marketing Director of that business in 1993 when Ultra Electronics was formed. From 1997 to 1999 he worked in the US as Ultra's Operations Director, North America. After returning to the UK he was Managing Director of PMES and then of Sonar & Communication Systems before taking his first divisional role in 2005 as Managing Director, Tactical & Sonar Systems. In 2008 he moved to run the Group's Information & Power Systems Division before being appointed Chief Operating Officer in January 2010 and was appointed to the Board in April 2010. He became Chief Executive at the AGM in April 2011.

George White is director of International Strategic Partnerships - India for Boeing Defense, Space & Security (BDS) located in New Delhi, and serves as director of Enterprise Industrial Participation for Boeing India. White is responsible for coordination across BDS and Boeing Commercial Airplanes (BCA) on Indian industrial participation programs. In this role, he works to identify and leverage enterprise synergies; maintains relationships with the Ministry of Defence and Indian armed services customers to ensure successful execution of BDS industrial participation commitments; and identifies and develops Indian industry alliances to support industrial participation and growth for BDS. Before this assignment, White served as director of International Alliances - India for BDS International Market Strategy. Previously, he was director of India Globalization for the BDS Global Services & Support business (GS&S).

Contacts:

Mr Vivek Pandit, Sr. Director & Head – Energy / Defence & Aerospace, FICCI,
vivek.pandit@ficci.com

Mr Bhaskar Kanungo, Deputy Director – Defence and Aerospace,
bhaskar.kanungo@ficci.com

Mr Amit Kumar, Assistant Director – Defence and Aerospace,
amit.kumar@ficci.com

Defence and Aerospace Division,
Federation of Indian Chamber of Commerce and Industry,
Federation House,
Tansen Marg,
New Delhi 110001.