

Need to change mindset in Ministry of Defence: Delegation of Power and Mutual Trust Required to build a vibrant Defence Industrial Base: Manohar Parrikar, Raksha Mantri

NEW DELHI, September 12, 2015. The government desires for greater outsourcing by defence PSU's and ordnance factories' and was looking at building synergy between public and private sector to establish a vibrant Defence Industrial Base in the country, greater indigenization and self-reliance, stated **Mr. Manohar Parrikar, Raksha Mantri, Government of India**, here today at a seminar on **'Outsourcing and Vendor Development by DPSU's and OF's: Opportunities for Innovation, Collaboration and Product Development'** organized by FICCI jointly with the Department of Defence Production, Ministry of Defence, Government of India.

Mr. Parrikar said that defence was one of the sectors being focused in 'Make in India' and it was being ensured that Indian industry gets adequate and fair protection, especially in defence sector, to allow manufacturers to design and produce defence equipment indigenously. He added that it would be in the interest of India's security, if defence capabilities are scaled up and requirements of the armed forces are met in-house. MoD is the single buyer and has all the control, however it needs to stop frequent shifting of goal posts and give pragmatic requirements which industry will be able to provide quickly. Asking of something which is not pragmatic and not readily available will never help, rather will make things complicated leading to a situation where the nation suffers. Secretary Defence Production should take note of these to facilitate the establishment of strong Defence Industrial Base in country. He also emphasized for fair protection for private sector and avoid repeat of past kneejerk reaction on irrational Blacklisting without any tangible benefit. In past there were examples where the Blacklisted company benefitted while it proved dear to Indian exchequer as we had paid money but not received the product.

He said that there was a need for a paradigm shift in the mindset of the Ministry of Defence and to create an environment of 'Mutual Trust' with the Industry. 'Delegation of power is the first stage where trust is considered but mindsets take time to change'. This will help public and private sectors to manufacture defence products indigenously to meet the requirements of the Indian armed forces. He specifically mentioned to an alarming situation when our ammunition stock reserve which could barely sustain for 10 days in 2013. However with the clear direction and with the efforts of industry, the same has been radically addressed leading to current stage where we have made up shortfall over requisite stock levels by 70-80 percent and by next year there will be nil deficit.

Mr. Ashok Kumar Gupta, Secretary (DP), Ministry of Defence, said that the defence procurement procedure was amended to allow greater participation of domestic companies. India needed self-reliance in design and production of defence equipment to strengthen its military capabilities. He added that outsourcing would enhance product development and would help in attaining cost effectiveness and competitiveness, besides encouraging a robust participation of MSMEs.

Mr. Gupta said that product categories for outsourcing have been decided and it included products which are less expensive and small, those requiring special manufacturing processes but are not strategic in nature, those which do not involve intensive technology and products that are technology sensitive.

Dr. Jyotsna Suri, President, FICCI, said that public sector has taken steps to outsource to the private sector, however a lot more collaborative approach is required. "I would like to highlight we need to work together as a national industry where the DPSU's and OF's should outsource the work with true and literal meaning of outsourcing. This will

help in building robust base of MSMEs and supporting the growth of the pyramid,” she added.

Dr. Suri said that a system integrator should remain committed towards the core job of system integration and aim to develop a chain of niche MSME suppliers who can not only be his trusted partners but also have the opportunity to be a part of global supply chain of OEMs, thereby creating value for Indian industry. She added that FICCI views both public sector and private sector as complementary force with one vision and mission – India First.

In his presentation on ‘Changing Dynamics: Setting up of Expectations’, **Mr. Vijay Mathur, Managing Director, Inapex Pvt. Ltd.**, said that there was a need to set up an empowered multidisciplinary group that is responsible for negotiating and then implementing the major programs identified by the Ministry of Defence. He added that there was need for strong system integrators and committed time bound Phase Manufacturing Program linked to the start of the Indian operation.

In his vote of thanks **Mr. Rahul Chaudhry, Co-Chairman, FICCI Defence and Aerospace Committee and CEO, Tata Power SED**, said that industry was witnessing a change of mindset in the Ministry of Defence and rapid progress in decision-making was visible. He suggested that a stable and assured number of product orders from the Ministry of Defence should be provided to the industry to build a strong manufacturing defence base in the country.

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