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**Press Information Bureau
Government of India
Ministry of Defence**

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Agreement with Russia for Making Sukhoi Aircraft

An agreement was made last March between India and a Russian company manufacturing Sukhoi planes, for the supply of spare parts. During Indo-Russia Military-Industrial Conference (March 17-18), 2017 held in New Delhi, Hindustan Aeronautics Limited (HAL) has signed agreements with Russian Original Equipment Manufacturers (OEMs) United Aircraft Corporation (UAC) and United Engine Corporation (UEC) for long-term support on after sales service of Su-30 MKI aircraft.

The Agreement signed by HAL with Russian OEMs are for long-term supply of spares and rendering technical assistance for five years and do not cover any technology transfer.

However, these agreements will enable HAL to procure the required spares based on the price catalogues directly from the OEMs, authorized by Federal Services on Military Technical Cooperation (FSMTC) of Russian Federation for Su-30 MKI fleet and boost after sales service by reducing lead time in procurement of spares significantly.

The steps taken by the Government towards creating conditions conducive for the Private industry to take an active role enhancing potential of Small & Medium Enterprises (SMEs) by indigenizing and broadening the Defence R&D base of the country inter-alia include the following:-

- A new Defence Procurement Procedure (DPP), 2016 has been promulgated by the Government to take effect from 01st April, 2016 whereby a new category of procurement ‘Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured)}’ which has been accorded top-most priority for procurement of Capital equipment. Besides this, preference has been accorded to ‘Buy (Indian)’ and ‘Buy & Make (Indian)’ categories of capital acquisition over ‘Buy (Global)’ and ‘Buy & Make (Global)’ categories. The ‘Make’ Procedure has been simplified with provisions for funding of 90% of development cost by the Government to Indian industry and reserving projects not exceeding development cost of Rs. 10 Crore (Government funded) and Rs. 3 Crore (Industry funded) for MSMEs.
- FDI Policy has been revised. FDI up to 49% is allowed through automatic route and beyond 49% under Government approval route wherever it is likely to result in excess to modern technology or for other reasons to be recorded.
- Indian licensing regime for Indian manufacturers has been liberalized and most of the components/ parts/ sub-systems have been taken out from the list of Defence products requiring industrial license which has resulted in reduction in the entry barriers for new entrants in this sector particularly SMEs. The initial validity of industrial license has been increased from 3 years to 15 years with a provision to further extend it by 3 years on a case to case basis.

- Issues related to level playing field between Indian and foreign manufacturers and between Public sector & Private sector have also been addressed. These include Exchange Rate Variation (ERV) protection for Indian vendors removing anomalies in Customs/Excise duties etc.
- Offset guidelines have been made flexible by allowing change of Indian Offset Partners (IOPs) and Offset components even in signed contracts. Foreign Original Equipment Manufacturers (OEMs) are now not required to indicate the details of IOPs and products at the time of signing of contracts. 'Services' as an avenue of offset have been re-instated.
- The process for export clearance has been streamlined and made transparent and online.
- A total number of 485 lines have been identified for Transfer of Technology (ToT) to support Su-30 MKI fleet. Towards this, 20 Indian vendors have been introduced to the Russian OEMs to find out the feasibility of ToT in the fields desired by Indian vendors. Russian side has been requested to consider permission to identified OEMs to establish Joint Ventures (JVs) or any other means of localization with Indian Private industry partners for manufacture of spare parts through ToT.

This information was given by Minister of State for Defence Dr. Subhash Bhamre in a written reply to Ch. Sukhram Singh Yadav and others in Rajya Sabha today.

MKT/Rajib