

# **DEFENCE TESTING INFRASTRUCTURE SCHEME**

## **REQUEST FOR COMMENTS/VIEWS**

1. Government of India, Ministry of Defence, is giving high priority to the development of manufacturing base of Aerospace and Defence Sectors in the country, to reduce the dependence on imports. The Department of Defence Production is having regular interaction with industrial houses to promote Government's 'Make In India' initiative and ease of doing business in Aerospace and Defence sectors. In this direction, Government has recently announced establishment of two Defence Industrial corridors: one in Tamil Nadu and another in Uttar Pradesh.
2. Today, one of the main impediments for domestic Defence production industry (especially for MSMEs and Startup) is lack of easily accessible state-of-art Test facilities being capital intensive and requiring continuous up-gradation. Therefore, it is planned to set up Defence Testing Infrastructure to provide test facilities in Aerospace and Defence Sectors engaged in Defence manufacturing. The draft scheme envisages creation of 06 to 08 Defence Testing infrastructures in different location, depending upon the requirement of test facilities for the benefit of the existing as well as upcoming Defence industry.
3. All organizations involved in manufacturing of Aerospace and Defence equipment, systems and store, may forward comments positively by 08 June 2018 to the following email ID [dg-dgga@nic.in](mailto:dg-dgga@nic.in) or [sriprakash\\_lal@navy.gov.in](mailto:sriprakash_lal@navy.gov.in) or by FAX -011-23014619.
4. The Draft Scheme is attached.

**Ministry of Defence**  
**(Department of Defence Production)**

**Draft Notification**

New Delhi, the \_\_\_\_\_ May, 2018

**Subject: 'Defence Testing Infrastructure Scheme' to Provide for Test  
Facilities in Aerospace and Defence Sector for MSMEs and Other Industry  
Engaged in these Sectors**

**1. Background and Objectives.**

1.1 Under "Make in India" in Defence, Government is giving high priority to the development of manufacturing base of Aerospace and Defence sectors in the country to reduce the dependence on imports. It is in this direction that Government has recently announced establishment of two Defence Industrial Corridors: one in Tamil Nadu and another in Uttar Pradesh. Several other initiatives like Revised Make-II procedure have been approved with the aim to simplify the ability of industry to invest in Aerospace and Defence sectors. Defence Investor Cell has also been set up under Department of Defence Production to handhold investment in the sector.

1.2 One of the main impediments for domestic defence production is lack of easily accessible state-of-the-art testing infrastructure for MSMEs, startups and other industry. Defence Testing Infrastructure is often capital intensive requiring continuous upgradation and it is not economically viable for individual defence industrial units to set up in-house testing facilities.

1.3 The scheme proposes setting up of Defence Testing Infrastructure (required for aerospace and defence related production), as a common Facility with Government assistance. Such testing infrastructure shall also be a necessary part of development of the Defence Industrial Corridors.

## **2. Assistance for Defence Testing Infrastructure (DTI).**

2.1 Any testing infrastructure required for units involved in Aerospace and defence sectors shall be provided assistance under the scheme. Government assistance for setting up DTI will be available, and such infrastructure will facilitate in augmenting aerospace or defence production in any of the areas of defence, including air, naval, land systems, electronic warfare, cyber, artificial intelligence, robotics etc.

2.2 The Scheme envisages support to 06 to 08DTI, depending upon the requirement of the lab, to be set up with a total assistance grant of Rs 400 crores.

2.2 The assistance for individual DTI set up under the scheme shall be 75% of the approved project cost.

## **3. Implementation Model.**

3.1 The implementation of the scheme will be through a Special Purpose Vehicle (SPV) which will carry out the business of setting up, operating and maintaining the Defence Testing Infrastructure or through a Government agency.

3.2 The SPV under the scheme shall be a Section 8 company registered under the Companies Act for this purpose. The broad structure of the SPV under the scheme shall be as follows:-

- i. The SPV can be promoted either by an entity of the Government (Central/State or Local) or by a non-government entity (Industry, Industry association, R&D/Academic institution etc.).
- ii. The SPV may include representatives of Government (Central/State/Local), Industry, Academia, Banks and Financial Institutions and such other investors/professionals who contribute towards achieving the goal of this scheme.
- iii. In case the scheme is being implemented by SPV, at least 7 industry units who are potential users of the proposed DTI shall participate in the SPV and should be on the Board of Directors of the SPV. The industry participants of the SPV, who are potential users of the DTI, should contribute at least 15% of the project cost.
- iv. The industry units benefitting from the SPV should hold at least 51% equity and no single unit shall hold more than 25% of the share capital of the SPV.
- v. In all SPVs, receiving assistance under the scheme, the representatives of Central and/or State Government shall be on the Board of Directors of the SPV.
- vi. The broad equity structure of the SPV shall be approved by the Government as part of the project approval. Any change in the approved equity structure shall be only with the approval of Department of Defence Production, Ministry of Defence.
- vii. The SPV will be responsible for operation and maintenance of assets created under the scheme, in a self-sustainable manner, by way of collecting user charges.

#### **4. Approval of Proposals under DTI Scheme.**

4.1 All proposals for assistance under the DTI scheme shall be considered by a Steering Committee for Clusters (SCC) to be constituted by the Department of Defence Production, Ministry of Defence under the Chairmanship of Secretary, Department of Defence Production. The SCC will consider the proposals under the scheme and submit its recommendations to the Competent Authority for approval.

4.2 While considering a DPR under the scheme, the administrative expenses shall be restricted to 3% of the Central assistance in the project. Reasonable expenses towards preparation of Detailed Project Report (DPR) would also be considered a part of the project cost.

#### **5. Project Appraisal.**

5.1 A proposal along with a Detailed Project Report (DPR), supported by projections and feasibility on growth potential of the defence production ecosystem will be submitted to the Department of Defence Production.

5.2 The project will be appraised by the SCC with the help of a reputed and independent consultant on the structuring of SPV and the viability of the project.

5.3 The SCC will, inter alia, while considering a proposal under this scheme, also take a view regarding necessity of the said DTI taking into account available infrastructure in the country and the needs of industry.

5.4 The SCC may, in its recommendations, make changes/amendments as felt appropriate.

## **6. Financial.**

6.1 The projects would be funded from budgetary resources of Department of Defence Production.

6.2 The assistance from Government would be in form of grant-in-aid.

## **7. Time Period.**

7.1 The scheme will be open for receiving proposals for a period of 3 years from the date of approval.

## **8. Guidelines.**

8.1 The Department of Defence Production, Ministry of Defence will issue detailed guidelines with regard to Standard Operating Procedure for making application under the scheme, its appraisal, and items eligible for assistance, sanction, and monitoring the progress of work.