



## Remarks by Shri Anil D. Ambani at Global Investors' Summit "Make in India for Defence Sector"

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Good Morning!

Hon'ble Raksha Mantri Ji, distinguished guests from the government and industry, ladies and gentlemen

### Introductory Remarks

I am honoured to be present here today at the Global Investors' Summit for "Make in India for the Defence Sector".

At the outset, let me say that I am here today **first and foremost** as a citizen of India.

What I will share with you today, is based on my experience in the last one year as a **new entrant** in the defence sector and my extensive interactions at home and abroad with top global defence manufacturers, long-standing domestic players, strategic experts and policy makers.

The **question** that I'd like to focus on today is: **How do we**, the different stakeholders, take on collectively the responsibility for making our visionary Prime Minister Modi's path-breaking policy initiatives of '**Make in India**', '**Skill India**' and '**Start-up India**' a **success** in the defence sector?

**Also** how do we achieve the following core objectives:

1. **Reduce dramatically** the position of being the **world's largest importer** of defence hardware
2. Make procurements fair and transparent without compromising national security
3. Ensure **time lines** in award of contracts
4. Institutionalise continuity, certainty & predictability in an industry which is capital intensive and has a single customer - the **Ministry of Defence**.
5. Ensure creating a comprehensive framework that fully leverages the energy and enterprise of the private sector in defence.

I must admit that I was forced to change my remarks at the last moment because the Honourable Defence Minister has already addressed some of these issues in the Sections of DPP uploaded on the MoD website yesterday. Sir, I compliment you and your team at MoD for pro-actively addressing some of these issues including:

1. Flexibility in procurement process and cutting short timelines.
2. Cutting down steps in the AON approval process.
3. Reducing validity period of AON to bring out RFP quickly
4. Extending scope of Fast Track Procedure

These are important changes because India is today poised at the **cusp of a great journey** to become a **global force** for peace and stability.

A substantive autonomy in key areas of defence production will be a **prerequisite** for this rise to prominence of the world's largest democracy.



### **Reliance: The Journey So Far**

Let me share with you briefly our own journey in the **past 12 months** and the role we are likely to play in this National Mission.

I would like to take our inspiration from a speech made by our Hon'ble Prime Minister two days ago in Assam.

He said and I quote him **"I have only three agendas 'vikas' (development), 'tej gati se vikas' (speedy development) and 'charon aur vikas' (all-round development). I believe in solving all problems through development," he said.**

At Reliance Defence we too have striven this past year to implement our agendas with the same tenacity as that exemplified by the Prime Minister's vision.

Our foray into defence began with the **largest** acquisition in the domestic private Defence Industry of the **Pipavav Shipyard**, now renamed as **Reliance Defence and Engineering Limited**.

This large state of the art shipbuilding facility with assets over Rs. 6,000 crore will also be home to the **Dhirubhai Ambani Naval Center of Excellence**.

Additionally, we have since drawn up a comprehensive blueprint for a strategic shipyard on the East Coast and signed up with the Andhra government to make available 1,500 acres of land to build the **next generation naval facilities** at Rambilli.

We are setting up **India's first integrated Dhirubhai Ambani Aerospace Park**, spread over 289 acres, **at Mihan, Nagpur**, and the **Dhirubhai Ambani Land Systems Park** at Pithampur, Indore.

Reliance Defence has been awarded **12 Industrial Licences** for cross-spectrum manufacture of Defence equipment, platforms and systems.

We have committed to set up a world-class **Dhirubhai Ambani Centre for Innovation & Research in Aerospace** at Bangalore; and the **Centre of Excellence in Land Systems and Naval Applications** at Indore.

Over the past 12 months, we have been working on **strategic partnership agreements with a number of leading global OEMs** across a wide spectrum of military equipment and hardware and are today well-poised for a major role in **delivering on the government's Make in India procurement programmes**.

### **Defence Procurement Procedures (DPP)**

Sir, we are today blessed by an extraordinary confluence of **will, vision** and **leadership**:

A government in **mission mode**, a prime minister committed to real and **radical reforms**, and a defence minister whose **grasp of strategy** and policy nuance is excelled only by his **exceptional understanding** of complex, cutting-edge technology.

The result: A cumulative overhaul of India's defence policy landscape. And the creation of a new investment ecosystem: From **relaxation in FDI norms** to ease in **defence licensing**, from **taxation reforms** to impetus for **MROs**.

The new DPP is a key part of the ongoing changes.

In the making for over a year, it captures not just the deliberations of several high-powered committees but also a wide cross section of stakeholder opinion.

It is evident that the government is taking a **holistic view**.



At the same time, the DPP, as you have rightly pointed out Sir, is not the **last word** on procurement. It is an evolving policy framework, open to feedback and correction.

Let's therefore examine it in that spirit of positive and constructive engagement.

1. The introduction of a new category IDDM is a huge positive which will promote a focus on knowledge-as-power while facilitating greater interaction with the armed forces leading to better adaptation.
2. The new DPP has taken a big step forward by moving away from the **concept of L1** or lowest cost in defence procurement. This will encourage vendors to **offer quality** rather than opt for minimally compliant solutions in order to win defence contracts.

### **Strategic Partnership Proposal**

The concept of strategic partners is a great advance. A credible defence policy cannot be built **without the involvement of the private sector as a strategic partner**. While I salute the spirit behind the policy, we look forward to **more clarity** in implementation.

Our policies have to be in line with **global best practices**. Sub-optimal division or groupings will make the industry inefficient. For instance, the division of ship building into above the water and below the water categories.

**From France to Germany to UK, few global leaders follow such a regime because it makes investments unviable.**

In general, we must consider competition without any **intra** or **inter segment** restrictions between Air, Land and Navy in the 10 programs that have been identified for strategic partnerships.

An open and calibrated policy will **shake the status quo**, end the **monopoly of existing players**, and benefit the nation by encouraging the entry of new players and increased competition.

### **Public Private Partnership: A Shared Workload**

Sir, this Government has set **new standards in transparency** by undertaking public auctions of all natural resources - be it spectrum, coal, mining, minerals or solar power. We are confident you are committed to the same spirit of transparency in defence procurement and will subject the industry to fair competition where applicable.

Sir it is nobody's case that everything in defence is amenable to competitive bidding.

**But the practice of making purchases by nomination should be an exception.**

Where nomination is unavoidable, there need to be clear guidelines in place so that private players have better visibility regarding future opportunities.

In the last 22 months, the Defence Acquisition Council has met a record number of times and cleared proposals in excess of Rs. 2 lac crore. This is hugely impressive by any standards and highly commendable.

A large number of the contracts, however, are either repeat orders due to urgent Force requirements or have been decided on a nomination basis, while others fall under the category of Foreign Military sales or Inter-Governmental agreements.

More opportunities for the private sector would be welcome.



There's a general lack of clarity among industry players about the role of the Private Sector in case of contracts under IGA/FMS. Will participation in such cases be restricted to DPSUs alone or is there a scope for private players to participate?

**There's continuing under-utilisation of existing capacities especially of shipyards in the private sector.**

We have a situation where public sector shipyards have an order book in excess of Rs. 1.5 lac crore. And yet, in the past 2 years, their total production is Rs. 6,000 crore annually. At this rate, it will take more than 20 years to deliver on the current order book. This when the Indian Navy has an acquisition pipeline of Rs. 3 lakh crore over the next 15 years!

**Meanwhile, private shipyards in India remain plagued by huge idle capacities.**

We need to make full use of these national assets to address our security needs, ensure sustainability of private investment and creation of new capacities.

While this is glaringly evident in ship building, the scenario is not very different in aerospace or land systems.

Sir, you have often spoken about an entrenched systemic bias in favour of **procedure rather than procurement**. I am sure you'll reverse the priority and put time-bound procurement at the heart of a transparent and accountable decision making process.

**Public Private Partnership will hold the key here.**

**We need to encourage PSUs to work with the private sector as partners or in joint ventures.**

We fully respect the existing capabilities built by the public sector and we have a lot to learn from their formidable experience.

I am sure I speak for the industry when I say that where opportunities exist for mega outsourcing by PSUs, we in the private sector would look forward to working with them.

Outsourcing to private players, which currently remains limited to micro projects worth a few crores at best, **needs to expand significantly**.

### **Experience Vs Commitment**

Despite a committed **reformist mindset at the top**, we are still seeing **opportunities being denied to new players** on grounds of **lack of experience**. This is the classic chicken-and-egg situation, where nobody wins.

**In the vocabulary of combat, sir, it is a landmine or booby-trap laid by vested interests to kill competition!**

Let's look at our own experience of reforms in other key sectors of the economy in the last couple of decades from automobiles, telecom to IT. If we'd followed the same approach in the early stages of development of any of these sectors, we would not have achieved the kind of success that we have.

With respect, sir, I submit that the **existing mindset in the Defence sector** which holds past experience as the most important criteria for awarding work, **needs to change** to allow the **private sector** to take up its **rightful role in enhancing national security**.

**Sir, no one will deny the importance of experience, but successful enterprise is built on a number of other variables which are even more critical: capability, competence, commitment, vision, and risk-taking amongst others.**



Sir, my father, **Padma Vibhushan Shri Dhirubhai Ambani**, was neither a chemical engineer nor a technologist nor indeed did he have any prior experience in the oil and gas sector.

**Yet sir, he created the world's largest oil and gas business, the largest refinery, and the largest petro-chemical company in the world.**

**Clearly, there would have been no Reliance in existence today if experience was the sole defining yardstick of entrepreneurial success.**

These examples can be multiplied at will.

**Many of India's top companies today – from Wipro to Infosys to Sun Pharma amongst others - - are all the creation of entrepreneurs with practically no prior experience of the fields in which they went on to become global leaders.**

### **Concluding Remarks**

**Sir, we have in place today all the necessary ingredients for a manufacturing revolution in defence.**

**We have the vision and commitment;**

**We have the determination and resolve;**

**We are mobilising resources;**

**We are creating capacities;**

**We are acquiring skill sets;**

**We are building technology partnerships.**

We can and will succeed by forging joint ventures and technology transfers through a liberal FDI regime which enables Indian companies to partner with the world's leading defence OEMs, and leapfrog into this exciting and nation building sector of activity.

**What we need Sir is the implicit faith and trust of the government, to allow us to achieve our full potential and contribute to the security of our great nation. Because unlike any other sector of the economy, defence is a market with only one buyer: The government.**

Sir a battle they say is first won in the mind before it is won in the field.

In the past 18 months, we have won the battle of the mind or, more accurately, the mindset. It's time to win in the field – the ***kurukshetra of execution***.

Sir, Sections of DPP announced so far are just the beginning of this journey of Make in India. As Indians, most of us relate to dialogues in films which leave behind lasting impressions.

Friends, I can truly say what we have seen so far is only a trailer.

**Picture Abhi Baaki Hai, Mere Dost.**

**Thank You and Jai Hind!**



## **About Reliance Group**

<http://www.relianceada.com/>

Reliance Group, led by Chairman Sh. Anil D. Ambani, is among India's top 5 business houses, with a leadership position in telecommunications, power, infrastructure, financial services, and media and entertainment.

The Group has over 250 million customers, serving 1 in every 5 Indians, and over 8 million shareholders, amongst the largest shareholder families in the world.

The net worth of the Group is Rs 100,000 Crore (US \$ 16 billion), and the total asset base is Rs 267,000 Crore (US \$ 43 billion). It is an equal opportunity employer with 100,000 strong, highly competent workforce comprising different nationalities. Through a robust Corporate Social Responsibility programme, the Group touches lives of millions every day.



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