

**GOVERNMENT OF INDIA  
DEFENCE  
LOK SABHA**

UNSTARRED QUESTION NO:1895

ANSWERED ON:14.03.2002

INVESTMENT BY RUSSIA IN DEFENCE SECTOR

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**Will the Minister of DEFENCE be pleased to state:**

- (a) whether Russia has expressed its willingness to invest in Indian Defence Sector;
- (b) if so, the details thereof and the names of other countries who have shown their interest in this field;
- (c) whether the Government have issued any guidelines and laid down conditions for private participation;
- (d) if so, the details thereof;
- (e) the names of the domestic private companies who have come forward in the defence production;
- (f) the areas identified for setting up joint venture for manufacturing defence needs; and
- (g) the extent to which it would help the country in saving foreign exchange?

**Answer**

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) to (g): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (g) OF LOK SABHA UNSTARRED QUESTION NO. 1895  
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Russia has expressed willingness for investment by its companies in the development and production of Multi-role Transport Aircraft. No other country has shown similar interest as in most of the other cases decisions on the investment are taken by the respective companies.

2. The Defence industry sector has been opened for participation by Indian Private Sector upto 100% of equity with Foreign Direct Investment (FDI), component of it being permissible upto 26%, both being subject to licensing permissions. This includes all types of defence equipment. Guidelines have been issued by the Department of Industrial Policy & Promotion in consultation with the Ministry of Defence regarding the modalities for consideration of applications for grant of licence. The private companies are allowed to apply either individually or by a partnership firm amongst themselves. The Chief Executive of the company/partnership will be a resident Indian. The company/partnership firm can have Foreign Direct Investment upto 26% of the equity. Preference would be given to original equipment manufacturers or design establishments and those having a good track record of supplies. However, there would be a three year lock-in period for transfer of equity from one foreign investor to another foreign investor and such transfer would be subject to prior approval of the Foreign Investment Promotion Board (FIPB) and the Government.

3. All applications from the private entrepreneurs will be considered by the Department of Industrial Policy & Promotion in consultation with the Ministry of Defence and the Licences would be granted by the Department of Industrial Policy & Promotion. The licensees are required to put in place adequate safety and security procedures which would be subject to verification by authorized Government agencies. The quality of the product will be assured by the Quality Assurance Agencies of the Ministry of Defence.

4. No domestic private company has come forward for manufacture of arms, ammunition, which were hitherto reserved for public sector. As regards Joint venture, such commercial decisions have to be taken by both public and private sector Indian companies as well as foreign companies. No specific area has been identified. Any investment in the country which would result in the saving of imports, would reduce the foreign exchange outgo. No quantification in this regard has been done.