

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

STARRED QUESTION NO:74
ANSWERED ON:18.07.2002
PRIVATE PARTICIPATION IN DEFENCE SECTOR
ANANDRAO ADSUL;IQBAL AHMED SARADGI

Will the Minister of DEFENCE be pleased to state:

- (a) whether the proposal to open defence sector for private investors players has got a poor response;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps taken to attract the private investors in defence sector?

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) to (c): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO. 74 FOR 18.7.2002

The Defence industry sector was opened in May, 2001 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 permission. This includes all types of defence equipment. However detailed guidelines were issued after consultations with the Ministry of Defence and Industry Associations by the Department of Industrial Policy & Promotion (DIPP), for consideration of applications for grant of licence on 4.1.2002. The basic objective of allowing FDI in this sector is to attract more investment and to infuse foreign technology.

2. All applications from the private entrepreneurs will be considered by the Department of Industrial Policy & Promotion (DIPP) in consultation with the Ministry of Defence, and the licence would be granted by DIPP. 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 would be ensured by the Quality Assurance Agencies of the Ministry of Defence.

3. Consequent to the above decision and issue of detailed guidelines, six applications for grant of industrial licence for the manufacture of various types of defence equipment have been received by the DIPP. The defence industry sector is a high technology sector requiring substantial capital investment and hence caution on the part of private entrepreneurs is understandable. It is also rather early to assess the impact of the decision to open up the sector. Government is continuing its dialogue with the Industry representatives on various aspects of procurement through the private sector.