

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:623

ANSWERED ON:23.11.2009

PARTICIPATION OF FOREIGN COMPANIES IN DEFENCE PRODUCTION

Joshi Shri Pralhad Venkatesh;Singh Dr. Raghuvansh Prasad

Will the Minister of DEFENCE be pleased to state:

- (a) whether the revised Defence Procurement Policy (DPP) 2009 has introduced measures to promote foreign participation in defence sector;
- (b) if so, the details thereof, including the share of imported equipment in the total defence requirements;
- (c) the technical and managerial advantages likely to be accrued to the Indian companies;
- (d) whether the participation of private companies has failed to make substantial contribution in defence production; and
- (e) if so, the details thereof?

Answer

MINISTER OF DEFENCE(SHRI A.K. ANTONY)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 623 FOR ANSWER ON 23.11.2009

The Amendments-2009 to Defence Procurement Procedure (DPP) 2008 have introduced measures to promote participation of Indian Industry in Defence Sector. Introduction of a new category for acquisition "Buy & Make (Indian)" provides issuing of Request For Proposal (RFP) to only Indian vendors who are assessed to have requisite technical and financial capabilities to undertake selected projects. Under this newly introduced category, the Indian firms would now be able to negotiate Transfer of Technology (TOT) with the foreign manufacturer and form joint venture / production arrangements to manufacture defence equipment.

From May, 2001 onwards, Defence Sector is open to participation by Indian private sector companies upto 100%, with FDI permissible upto 26%, both subject to licensing. Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry has laid down comprehensive policies and procedures vide Press Note 4 (2001 Series) dated 21st May, 2001 and Press Note 2 (2002 series) dated 4th January, 2002. So far 127 licenses for manufacture of wide range of Defence goods have been issued to Indian companies. Some of these licensed companies have commenced production of Defence items for which licenses have been issued.