

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:39
ANSWERED ON:05.08.2013
PROCUREMENT OF MMRCA AND FRA .
Deo Shri Kalikesh Narayan Singh

Will the Minister of DEFENCE be pleased to state:

- (a) whether the tenders for defence deals for the procurement of Medium Multi-role Combat Aircraft (MMRCA) and Flight Refueling Aircraft (FRA) were evaluated on the basis of Direct Acquisition Cost or on the basis of Life Cycle Cost;
- (b) whether the Discounted Cash Flow method has been applied in the said deals;
- (c) whether the Net Present Value (NPV) method was used for all the future cash flows;
- (d) if not, the reasons therefor; and
- (e) the list of elements for which the NPV was realized through the Discounted Cash Flow method?

Answer

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

- (a) The tenders for procurement of MMRCA and FRA were evaluated on the basis of life cycle cost concept in terms of the Total Cost of Acquisition as indicated in the respective 'Request For Proposals' (RFPs).
- (b) Yes, Madam.
- (c) Discounted Cash Flow method was used to arrive at the Net Present Value (NPV) of all future cash flows.
- (d) Does not arise.
- (e) Direct Cost of Acquisition and Transfer of Technology (ToT) (in MMRCA case) were the two elements where NPV was arrived at using the Discounted Cash Flow method.