

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
DEPARTMENT OF DEFENCE PRODUCTION  
LOK SABHA

UNSTARRED QUESTION NO.699  
TO BE ANSWERED ON THE 20<sup>TH</sup> DECEMBER, 2017  
PRIVATE SECTOR PARTICIPATION

699. DR. RATNA DE (NAG):

Will the Minister of DEFENCE be pleased to state:

- (a) the major initiatives taken by the Government during the last three years to promote private sector participation in the manufacture of sophisticated weapon systems and armaments;
- (b) the security precautions taken / to be taken by the Government in such a move;
- (c) whether the Government permitted / proposes to permit private companies to induct defence technology directly from abroad; and
- (d) if so, the details thereof and the criteria set for the purpose?

A N S W E R

MINISTER OF STATE  
IN THE MINISTRY OF DEFENCE

(DR. SUBHASH BHAMRE)

रक्षा राज्य मंत्री

(डा. सुभाष भामरे)

(a) to (d): A statement is attached.

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**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO. 699 FOR ANSWER ON 20.12.2017**

**(a) Some of the major initiatives taken by the Government during the last three years to promote private sector participation in the manufacturing of sophisticated weapons systems and armament are enumerated below:-**

- (i) Indian companies are allowed for tie-ups with a foreign Original Equipment Manufacturer (OEM) for Transfer of Technology (ToT) under 'Buy & Make (Indian)' category of Capital Acquisition.**
- (ii) Under 'Buy & Make' category of Capital Acquisition, the foreign vendor is required to transfer the Technology to Indian Production agency for indigenous production of the items. Provisions have also been made to allow Foreign OEM to select Indian Production agency of its choice for transfer of technology.**
- (iii) Under the Make category, Government has made provisions for design and development of defence equipment / platforms by Indian companies through harnessing of critical technologies and use of readily available commercial, military or dual-use mature technologies.**
- (iv) The Government has notified the 'Strategic Partnership (SP)' Model which envisages establishment of long-term strategic partnerships with Indian entity through a transparent and competitive process, wherein they would tie up with global OEMs to seek technology transfers to set up domestic manufacturing infrastructure and supply chains.**
- (v) In order to facilitate collaborations between Indian and foreign companies so as to have technology transfer from foreign to Indian companies, Foreign Direct Investment (FDI) policy for defence has been revised and under the revised policy, FDI upto 49% is allowed through automatic route and beyond 49% under Government approval route wherever it is likely to result in access to modern technology or for other reasons to be recorded.**
- (vi) Defence Research and Development Organization (DRDO) has issued Guidelines for ToT which provide for an institutional mechanism for transfer of technology developed by DRDO both to public and private sector companies.**

(vii) Government of India has also set up the 'Technology Development Fund (TDF)' which aims at funding the development of defence and dual use technologies that are currently not available with the Indian defence industry, or have not been developed so far. The funding is to public and private sector industry especially MSMEs that may work in collaboration with the academia or research institutions to carry out innovation, research and development.

(b) FDI Policy is subject to industrial license and Industrial Licenses are granted by Licensing Committee in Department of Industrial Policy & Promotion (DIPP), which takes into account the security clearance of Ministry of Home Affairs (MHA), comments of Ministry of Defence (MoD) etc. Besides, one of the conditions of license is to adhere to the Security Manual guidelines by the Licenses Defence Companies. The Security Manual prescribe detailed guidelines on physical, information, documentation, cyber and personal security aspects. The manual also prescribes for security audit of such companies by Intelligence Bureau.

(c) Under Strategic Partnership model, SP is expected to play the role of a System Integrator by building an extensive eco-system comprising development partners, specialised vendors and suppliers, particularly MSME sector. To manufacture major Defence platforms, the SP is required tie-ups with Foreign Original Equipment Manufacturers (OEMs) to cover manufacturing, transfer of technology, assistance in training skilled human resources and other support.

(d) The Strategic Partner when appointed should be an Indian company (as defined under the Companies Act, 2013), owned and controlled by resident Indian citizens. The Strategic Partner is required to enter into relevant tie-ups with foreign Original Equipment Manufacturers (OEM) to cover manufacturing, transfer of technology, assistance in training skilled human resources and other support. For the selection of Foreign OEMs, ToT is one of the main factors, the quantum and scope of Technology being offered for transfer by the OEMs is a primary consideration in the selection procedure, besides compliance to Services Qualitative

**Requirement.** Towards this, the shortlisting of OEM inter-alia take into consideration the following factors:

- (i) Range, depth and scope of technology transfer offered in identified areas.
- (ii) Extent of indigenous content proposed.
- (iii) Extent of eco-system of Indian vendors / manufacturers proposed.
- (iv) Measures to support SP in establishing system for integration of platforms.
- (v) Plans to train skilled manpower.
- (vi) Extent of future R&D planned in India.

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