

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
DEPARTMENT OF DEFENCE  
LOK SABHA

UNSTARRED QUESTION NO.3575  
TO BE ANSWERED ON THE 8<sup>TH</sup> AUGUST, 2018

**IMPACT OF FOREIGN INVESTMENT**

3575. SHRI SUNIL KUMAR MONDAL:

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Government has assessed the impact of foreign investment in defence sector on the security of the country;
- (b) if so, the details of the impact in this regard; and
- (c) if not, the reasons therefor?

**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 (c): A statement is attached.**

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**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA UNSTARRED QUESTION NO. 3575 FOR ANSWER ON 8.8.2018**

Government vide Press Note no. 5 of 2016 Series dated 24.06.2016 has notified revised Foreign Direct Investment (FDI) policy on various sectors including Defence. According to the new policy, FDI up to 49% is under automatic route and beyond 49% is through government route wherever it is likely to result in access to modern technology or for other reasons to be recorded.

2. Further, Defence sector is subject to industrial licensing under Industries (Development & Regulation) Act, 1951 and Arms Act, 1959 / Arms Rules, 2016. The licensing application under defence sector are examined and deliberated by Licensing Committee headed by Secretary (IPP) in Department of Industrial Policy & Promotion (DIPP), an inter ministerial body, which among other things, also takes into account security clearance by Ministry of Home Affairs (MHA) and views of Ministry of Defence (MoD).

3. As regards permitting FDI above 49% in the case of access to modern technology or for other reasons through Government route, Ministry of Defence takes security clearance of MHA while considering the proposal for foreign investment.

4. The licensed Defence companies are required to follow detailed security guidelines applicable to them as per security instructions / architectures prescribed in "Security Manual for Licensed Defence Industries" available at [www.ddpmod.gov.in](http://www.ddpmod.gov.in) based on their categorisation. The Manual provides detailed guidelines on physical security / materials security / documents security / information security etc. The companies are also subjected to external audit by Intelligence Agencies once in two years and cyber security audit by CERT-In empanelled auditors once every year.

5. The defence items as mentioned in the license, produced by such companies will be primarily sold to the Ministry of Defence. These items are allowed to be sold to other Government entities under the control of the Ministry of Home Affairs, State Government, Public Sector Undertakings (PSUs) and other valid Defence Licensed Companies without prior approval of Department of Defence Production (DDP). However, for sale of the items to any other entity, the licensees are required to take prior permission from the Department of Defence Production, Ministry of Defence.

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