

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

STARRED QUESTION NO.97

TO BE ANSWERED ON THE 4TH DECEMBER, 2015

FOREIGN INVESTMENT IN DEFENCE SECTOR

*97. SHRI ASHOK SHANKARRAO CHAVAN:
KUNWAR HARIBANSH SINGH:

Will the Minister of DEFENCE
be pleased to state:

- (a) whether the Government has raised the limit of foreign investment in the defence sector;
- (b) if so, the details thereof along with the total investment made by foreign companies in the defence sector after implementation of the said policy, company-wise;
- (c) whether the Government has made any assessment of the impact of the said move on the security of the country;
- (d) if so, the details and the outcome thereof; and
- (e) the preventive steps taken to ensure that the security apparatus of the country is not affected as a result thereof?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

(RAO INDERJIT SINGH)

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

**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA
STARRED QUESTION NO. 97 FOR ANSWER ON 4.12.2015**

(a)The Government vide its Press Note No. 12 of 2015 Series dated 24.11.2015 issued by Department of Industrial Policy and Promotion has notified the revised FDI policy for Defence Sector under which Foreign investment up to 49% is allowed under Automatic route and above 49% under Government route on case to case basis, wherever it is likely to result in access to modern and 'state-of-art' technology in the country. However, Foreign Investment limit has not been raised under the said Press Note.

(b)to(d):Since policy has been revised recently, the question does not arise.

(e) Foreign investment in Defence sector is subject to the grant of Industrial Licence under the Industries (Development and Regulation) Act 1951, by Licensing Committee, 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).

Foreign Investment Promotion Board (FIPB), mandated to recommend approval of the Government in respect of proposals of foreign investment in excess of 49% is an inter ministerial body which inter-alia comprises of representatives of MHA and MoD. FIPB also takes into account security clearance of MHA and views of MoD while considering such proposal of foreign investment.

Government has also put in place a Security Manual for Licensed Defence Industries. The security manual prescribes guidelines on physical, information, documentation, cyber and personnel security aspects. Security is categorised in 'A', 'B' & 'C' categories depending upon the products / weapons / equipments manufactured by them. Defence licensees have to adhere to the safety and security procedures laid down therein based on their categorisation. Security Manual also provides for External Security Audit of the Licensed Companies by Intelligence Agencies once in two years and Cyber Security Audit by CERT-IN empanelled Auditors once every year.
