

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

UNSTARRED QUESTION NO.1389
TO BE ANSWERED ON THE 4TH MARCH, 2016

DEFENCE PRODUCTION ACT

1389. SHRI NANA PATOLE:

Will the Minister of DEFENCE जेकेक एए=ह
be pleased to state:

- (a) the details of security related concerns, if any, from FDI in sensitive and strategic sector;
- (b) whether the Government proposes legislation of Defence Production Act on the lines of USA for the deals relating to merger and acquisition by foreign companies which poses potential threat to national security of the country;
- (c) if so, the details thereof; and
- (d) the details of the action taken by the Government in this regard?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

जेकेक जकेट; एए=ह

(RAO INDERJIT SINGH)

¼जेकेक बान्जथर फ्लैग½

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

**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA
UNSTARRED QUESTION NO. 1389 FOR ANSWER ON 4.3.2016**

In order to address the security related concerns from Foreign Direct Investment (FDI) in defence sector, necessary safeguards have been incorporated into conditions of Industrial Licenses and FDI Policy. Some of the major conditions in this regard are as follows:

- (i) The Government vide Press Note No. 12 of 2015 Series dated 24.11.2015 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. The foreign investment in defence sector is further subject to industrial license under the Industries (Development & Regulation Act), 1951. The FDI approval is also subject to security clearance by the Ministry of Home Affairs and guidelines of the Ministry of Defence.
- (ii) The Licenses Defence Companies are required to follow detailed security guidelines applicable to them as per security instructions / architectures prescribed in "Security Manual for License Defence Industries" available at www.ddpmod.gov.in based on their categorization. The Manual provides detailed guidelines on physical security / materials security / documents security / information security, etc. The Companies are also subjected to external security audit by Intelligence Agencies once in two years and cyber security audit by CERT-IN empanelled auditors once every year.

2. At present there is no proposal to formulate Defence Production Act in the defence sector.
