

# Govt kick-starts ₹2-lakh cr worth defence projects

## Strategic Partnership draft policy gets in-principle nod from PMO

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After a long wait, the government has finally pressed the accelerator to kick-start defence programmes worth nearly ₹200,000 crore even as the Prime Minister's Office (PMO) gave in-principle approval to the 'Strategic Partnership' (SP) policy.

The SP policy had been pending for over two years. On Saturday, Defence Minister Arun Jaitley cleared the draft policy during a meeting of the Defence Acquisition Council (DAC) chaired by him. The proposal has already been given in-principle approval by the PMO. It will now be rolled out in less than a month once the Cabinet Committee on Security (CCS) approves it, sources told *BusinessLine*.

"The government is very keen that the process of selection of

SPs is completed by March 2018 and the projects be rolled out quickly. With the general elections due in 2019 and the government's focus on 'Make in India' and job creation, defence is seen as a big opportunity," an official involved in the deliberations said, while requesting anonymity.

### Big ticket projects

The SP policy is expected to boost manufacturing of high-end defence equipment by private sector companies, which will be enlisted in separate categories to manufacture a particular defence platform in partnership with foreign original equipment manufacturers (OEMs).

In the initial phase, the policy will be implemented in select segments - fighter aircraft (including helicopters), submarine and armoured vehicle.



Arun Jaitley, Union Defence Minister (file photo)

Some big ticket projects expected to go full steam by next year are the ₹60,000-crore P-75 (I) submarine programme under which six Scorpene-class submarines are being built. The

foreign OEMs involved in this programme are France's DCNS and German defence major ThyssenKrupp. The SPs that will be enlisted for this particular project are Reliance Defence

and L&T. Another project that has been on hold for over a decade and is expected to see the light of the day is the ₹60,000-crore single-engine fighter jet deal.

The companies in the fray for this project are Swedish SAAB with its Gripen E and the F-16 by US' Lockheed Martin. The potential Indian companies in the fray will be Tata, Adani and Reliance.

In the armoured vehicles category, the government is likely to give thrust to the Future Infantry Combat Vehicle (FICV) project worth more than ₹50,000 crore.

Under this, more than 2,600 vehicles will be manufactured.

Some of the Indian companies eyeing this deal are L&T, Mahindra, Tata, Bharat Forge and Ashok Leyland with potential collaboration with the US-based General Dynamics and German giant Rheinmetall.

Finally, the project to manufacture 110 naval utility helicopters (NUH) at a cost of ₹12,000 crore is also expected to

gain momentum. Tata and Mahindra will be the main contenders for the SP position in the segment.

The SP model is expected to usher in a new era of defence acquisitions. The concept was first mooted by the Dhirendra Singh committee, which was constituted to ease the process of defence acquisition by former Defence Minister Manohar Parrikar. It submitted the report in July 2015.

Thereafter, another committee headed by former DRDO Chief VK Aatre was set up to draw the guidelines for selecting the Indian private players.

This report was submitted in January 2016. But, the policy faced delay due to stiff opposition from defence public sector units, which feared loss of business and expertise.

Once officially released, the SP policy will be inducted as Chapter VII in the Defence Procurement Procedure of 2016 as 'Strategic Partners and Partnerships'.