

MODI-PUTIN SUMMIT Pacts on \$5.2-b S-400 for IAF and \$2.2-b Project 11356 for Navy

India and Russia to Sign Over \$7-b Defence Deals



Expected to hold talks on setting up a new payment mechanism independent of US-controlled dollar trade

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New Delhi: India and Russia are set to sign defence deals worth over \$7 billion at the bilateral summit on Friday, but financial sanctions by the US have cast a shadow as they limit New Delhi's capacity to transfer funds to Moscow. The two sides are expected to hold talks on setting up a new payment mechanism independent of the US-controlled dollar trade.

Sources told ET that the \$5.2-billion deal for five regiments of S-400 air-defence shield has received top-level clearances and would be signed at the Modi-Putin summit. The system, which would be delivered by

2020, would strengthen IAF's capacity to protect critical assets and limit strike abilities of the Pakistani air force.

Quick delivery of S-400 is considered critical as China will receive them by the yearend and would be in a position to fully exploit the system with the delivery of all necessary missiles by 2020.

The other major contract that will be signed on Friday includes a \$2.2-billion deal to procure four new warships for the Navy. The

long-pending procurement of Project 11356, or advanced Talwar class frigates, includes building two of them at the Goa Shipyard and purchasing two directly from Russia's Yantar shipyard. The cost of the direct import from Russia is expected to be \$900 million. The warships to be made in India will

cost higher as they would involve technology transfer and building of new facilities at the shipyard.

While technical negotiations are still on for finer details of the deal, a memorandum of understanding is expected to be signed on a proposal to manufacture Russian AK-103 assault rifles in India in partnership with the Ordnance Factory Board.

Sources said that details, including technology transfer and indigenous content, are being worked out.

These apart, India and Russia aren't expecting an agreement on some planned deals due to apparent funds constraint in the defence ministry. This includes a \$1.1-billion deal for new medium lift helicopters to be used by both the defence and home ministries. The two nations have been holding talks for 48 additional Mi-17 V5 choppers since 2015.

Besides the fund crunch, money transfer to Russian military entities sanctioned by the US is a challenge to India. As sanctions apply to banks that transfer money, both sides are struggling to find ways for smooth payment. Sources said while money was being sent in fits and starts, the two sides are expected to have detailed talks on an institutional mechanism to wade over the problem. This could include setting up a dedicated bank for military purchases between the two nations and the possibility of transferring money in roubles to Russia.



India and Russia not expecting pact on some deals due to 'funds constraint' in DefMin

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