

A LOT OF OFFER Defence ministry's new strategic partnership plan meets concerns of private sector and also leaves room for PSU participation; sets no limitations on group companies and opens four sectors

All Clear for Private Role in Defence

Manu.Pubby@timesgroup.com

New Delhi: The defence ministry has rolled out its strategic partnership plan, meeting concerns of the private sector by allowing Indian companies to participate in major military manufacturing projects across segments, keeping room open for participation by public sector units and identifying four areas where work will start soon.

The Navy, which has the two biggest projects out of the \$20 billion kitty – submarines and helicopters – has said that it is hopeful that the policy can be implemented within six months to kick start manufacturing of critical equipment in India.

The final partnership model will come as a major relief to companies like Tata, L&T and Reliance Defence that have interests in different segments, ranging from aviation to land systems and naval shipbuilding.

Though conditions could be added later, according to the plan announced, Indian companies will be allowed to participate in all four segments separately. Unlike the plan drawn up earlier, one company can technically be a strategic partner in two or more sectors.

FOR EARLY START



Navy says it is hopeful the policy can be implemented in 6 mths

For conglomerates like the Tata Group, which has Tata Advanced Systems Limited (TASL) and Tata Power SED invested in different areas of defence manufacturing, the policy will give a higher opportunity for success. Similarly, L&T which has made

significant investments into both armoured vehicles and submarine building will be able to be competitive in multiple contests.

The services are relieved as the firming up of the policy will start major projects. "As per the model, we now have to go and get Acceptance of Necessity (clearances) on what we want to build. We are hopeful that we will be able to move this process within 6 months," Navy chief Admiral Sunil Lanba said at a FICCI seminar in the capital.

"Companies which have diverse interests have it going in their favour. At the same time it is very interesting to take into account that the precise parameters for qualification could be individually decided and the DPSU's and OFB's could also be pulled into participating in some form or manner. We should now eagerly await the release of the first set of EOIs/RFP's and hit the ground running," said Ankur Gupta, VP, EY India.

Big Steps Forward

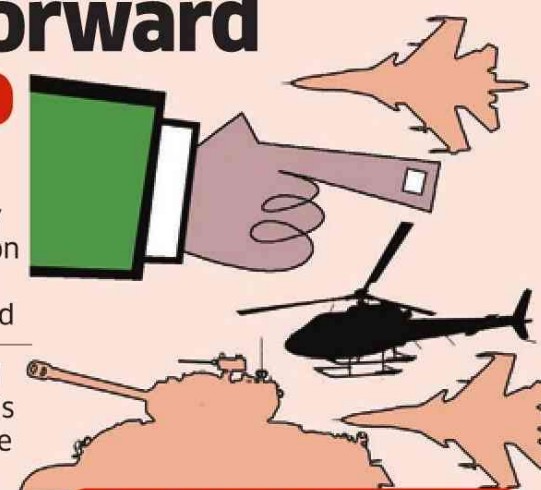
The Strategic Model

Private cos to be shortlisted for each sector; selection on financial and technology parameters

Foreign vendors to be shortlisted by defence min on basis of technology offered

Once shortlisted, Indian cos will be asked to tie up with foreign players and bid

Selection will be on the basis of lowest price bid, Indian co to lead process



Concerns Met

As per policy, group companies will be allowed to bid for more than one sector

Co like Tata, L&T & Reliance spread across segments like naval systems & aviation gain

Fin parameters to be drawn up individually for each segment at later stage

PSUs concerns met. They will be involved as per needs of each sector

SECTORS OPENED

Submarines

Criteria: Dry Dock and outfitting bay for 3000 ton, 90 m long submarines; Delivery of one warship or ship in past 5 years
Contenders: L&T, Reliance Defence, MDL

Fighter Aircraft and Helicopters

Criteria: Hangar and land space, experience in production of aircraft or components, availability of specialized machines
Contenders: Tata, Mahindra, Adani Group, Reliance, Bharat Forge, HAL

Armoured Vehicles

Criteria: Land & testing facilities, simulation capabilities, integration of complex automotive systems, metal & composites processing
Contenders: Tata, Mahindra, L&T, Bharat Forge, OFB