



**Updated as on 03.10.2016**

**FDI Policy in Defence Sector**

DIPP vide Press Note No. 5 of 2016 Series dated 24.06.2016 notified review of Foreign Direct Investment (FDI) Policy on various sectors including defence which includes conditions related to FDI in defence at Para 5 of the said Press Note. According to the revised guidelines, Foreign Investment Cap upto 49% is allowed through automatic route and beyond 49% under Government route, wherever it is likely to result in access to modern technology or for other reasons to be recorded. The foreign investment in defence sector is further subject to industrial license under the Industries (Development & Regulation Act), 1951. The detailed guidelines in this regard may be seen under the Press Note available at DIPP website ([www.dipp.nic.in](http://www.dipp.nic.in) followed by link Acts & Rules).

2. The other conditions governing FDI policy in defence manufacturing sector as notified in the Press Note No. 5 of 2016 Series dated 24.06.2016 are as under:

- i. Infusion of fresh foreign investment within the permitted automatic route level, in a company not seeking industrial license, resulting in change in the ownership pattern or transfer of stake in by existing investor to new foreign investor, will require Government approval.
- ii. License applications will be considered and licences given by the Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, in consultation with Ministry of Defence and Ministry of External Affairs.
- iii. Foreign investment in the sector is subject to security clearance and guidelines of M/o Defence.
- iv. Investee Company should be structured to be self – sufficient in areas of product design and development. The investee /joint venture company along with manufacture facility should have maintenance and life cycle support facility of the product being manufactured in India.