

Ministry of Commerce and Industry

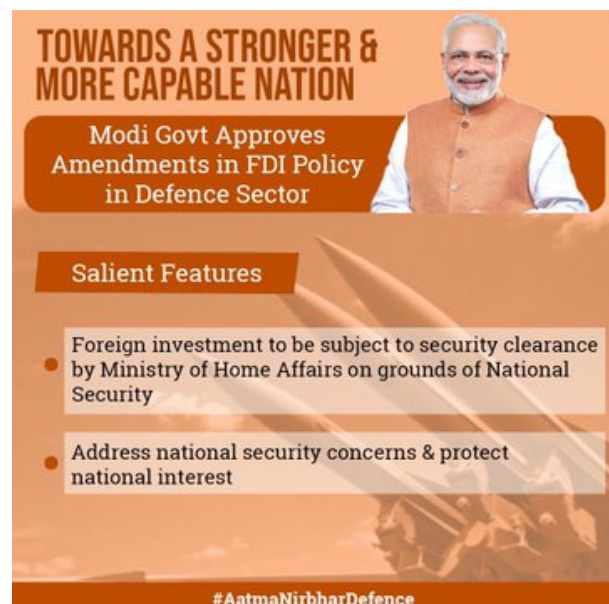
The Union Government has approved the amendment in Foreign Direct Investment Policy in Defence Sector

September 18, 2020

Relevant to Mahindra Defence Land Systems

Background

- Government of India has permitted 100% foreign investments in the defence sector, until now
- 49% were allowed under automatic route
- Above 49% FDI was allowed through the government's approval
- The government in 2018 had previously relaxed the FDI rules which allowed the foreign entities to invest up to 49 percent directly. The move was designed to boost the domestic industry as India imports about 70 percent of its military hardware



(Source : <https://www.indiaaheadnews.com/nationwide/india-further-opens-fdi-in-defence-sector-sets-79-cap-351587>)

What's the situation now?

- Currently 100 per cent overseas investments are permitted in the defence industry — 49 per cent is allowed under the automatic route but beyond that, government approval is required
- Foreign investments in the defence sector shall be subject to scrutiny on the grounds of national security

For Further Study

1. <https://www.mondaq.com/india/inward-foreign-investment/988184/foreign-direct-investment-norms-in-the-indian-defence-sector-liberalised-further>
2. <https://www.indiaaheadnews.com/nationwide/india-further-opens-fdi-in-defence-sector-sets-79-cap-351587>
3. <https://currentaffairs.gktoday.in/union-government-approved-amendment-to-fdi-policy-in-defence-sector-092020342457.html>