

Defence Ministry may notify companies cleared for Raksha Udyog Ratna status

It will allow them to be treated on a par with defence public sector enterprises

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BANGALORE: With India likely to acquire defence equipment worth between \$30 and 50 billion over the next five years and the private sector eager to get into the defence production industry, the Ministry of Defence (MoD) is considering notifying the 13 companies cleared for the Raksha Udyog Ratna (RUR) status.

The Prabir Sengupta committee, set up by the Ministry, had to choose from over 40 applicants for the RUR status over a year ago. The 13 that made it were the Tata Motors, Larsen and Toubro, Tata Power Company, Mahindra and Mahindra, Ashok Leyland, Tata Advance Materials, Kirloskar, HCL, Godrej and Boyce, Bharat Forge, Infosys Technologies, Wipro Technologies and the Tata Consultancy Services.

The RUR status will allow these companies to be treated on a par with defence public sector enterprises (DPSEs) such as the Hindustan Aeronautics Limited and Bharat Electronics and allow them to

• **RUR status will give armed forces the confidence to invest in private sector, says CII official**

• **First ensure 100 per cent capital utilisation for the DPSEs: Dipankar Mukherjee**

bid for contracts.

It will allow them to access foreign technologies, enter into collaborations with overseas players for the manufacture of military hardware and avail themselves of up to 26 per cent foreign direct investment.

It will also enable them to get substantial government financial investment (up to 80 per cent) for design, development and manufacture of defence products, including fighter aircraft, tanks and warships.

Unions' fears

However, with a number of groups, most vocally the All India Defence Employees Federation (AIDEF) and the trade unions of the DPSEs, expressing concern at defence public sector units and the private sector being treat-

ed equally, the RUR status report was put on the backburner.

According to sources in the Ministry, a team from the Confederation of Indian Industry (CII) recently met Defence Minister A.K. Antony with the request that the RUR names be notified.

Confirming the meeting, a senior CII official told *The Hindu* that, "RUR status would give the armed forces and defence procurement agencies the confidence to invest in the defence related R&D efforts of the private sector."

What has given the private sector hope is the fact that the government has not removed the RUR guidelines from the recently announced Defence Procurement Procedure.

India's whopping military capital acquisitions will allow

the RUR status companies to tap the lucrative defence manufacturing industry.

The "off set clause" in defence contracts, that makes it mandatory for foreign firms bidding for defence projects valued at Rs. 300 crore or more to source between 30 and 50 per cent of the financial worth of the contract from Indian companies, will also provide the RUR companies with ample business opportunities.

Dipankar Mukherjee, secretary, Centre for Indian Trade Unions, and vice-president of the AIDEF, said that when the premier DPSEs were only recently given the mini ratna status, there was no need to give the exalted RUR status to the private sector.

"It is not fair. The DPSEs are captive industries for the country's armed forces, while the private sector can shift between products," he said. "Let the government first ensure 100 per cent capital utilisation for the DPSEs before thinking of encouraging the private sector."

THE HINDU - Dt. 08th August 2008