

Task force identifies 10 defence segments for strategic ties

NEW DELHI: A high-level task force, headed by former DRDO chief V K Aatre, has recommended to the Defence Ministry ten critical segments where it can go for strategic partnerships. In a move that may rile private companies, the task force has recommended that one company cannot be eligible for multiple partnerships. This means that, each company would be restricted to just one critical segment in the overall multi-billion dollar defence manufacturing sector. The task force, which has submitted its report to the Defence Ministry, has divided the sectors eligible for strategic partnerships into two groups. Segments in Group 1 are - aircraft, helicopters, aero-engines, submarines, warships, guns (including artillery guns) and armoured vehicles including tanks. In Group 2, the segments are - metallic material and alloys, non-metallic material (including composites and polymers) and ammunition including smart ammunition. However, it has recommended that in the initial phase, aircraft, helicopters, submarines, armoured vehicles and ammunition be considered for strategic partnerships. "Only one company shall be eligible as the Applicant Company from one group in respect of Group 1 segments. Such applicant company shall be permitted to file an application for selection as a Strategic Partner in respect of Group 1 segments," the report said. It has recommended a series of criteria for the ranking of the companies. "Upon application of the applicant companies, the highest ranked applicant company shall be selected by the MoD and allotted the status of strategic partner of the segment. In event the same applicant company is ranked highest in more than one segment, the preference list as submitted by the applicant company at the time of application shall be followed. "Therefore, such an applicant company shall be appointed the strategic partner for the segment which is listed higher in its preference list prioritising its preference to segments in rank. For other segments where it is highest ranked but has not been selected, in view of the preference list the next ranked applicant company shall be appointed the strategic partner," the report said. The feeling among the private industry players is that only the big firms will benefit out of this. However, even the large firms are not open to the idea since they feel that they would be restricted to just specific fields and, therefore, their overall investment and plans will get affected. An official of a defence firm, who did not want to be identified, said, "It creates the ground for nomination of a private sector business partner for award of defence contracts on an exclusive basis in each of the major categories in defence production." "The Aatre process could enable the big five of the Indian private sector defence industry to corner about 80 per cent of the business and create monopolies in all categories," an industry source said, claiming that it may herald a return of "crony capitalism". "The Aatre process could enable the big five of the Indian private sector defence industry to corner about 80 per cent of the business and create monopolies in all categories," an industry source said, claiming that it may herald a return of "crony capitalism". Also, "restricting one group to one platform is unprecedented. Globally, every large defence firm has a land, air and naval segment," a defence company official said. Even the foreign firms are skeptical. "How can the government decide who our private sector partner will be? We will wait for a final decision before commenting," a company source said.