18	Sector:	Defence Industry
	Sub-Sector:	
	Industry Classification:	
	Type of Reservation:	National Treatment (Article 85) Most-Favoured-Nation Treatment (Article 86) Prohibition of Performance Requirement (Article 89)
	Measures:	Article 73 of the Constitution of India read with Article 246 of the Constitution of India. Foreign Exchange Management Act, 1999 and all regulations/rules/orders issued thereunder. Press Notes and Circulars on FDI Policy issued by the Central Government. Arms Act, 1959 and all regulations/rules/orders issued thereunder. Industries (Development and Regulation) Act, 1951 and all regulations/rules/orders issued thereunder. Defence Procurement Policy of the Central Government.
	Description:	FDI in Defence Industry (manufacturing) Sector is subject to licensing under the Industries (Development and Regulation)Act, 1951 and also subject to following limitations: (a) non-resident equity cannot exceed 26 percent (b) There is a three year lock in period for transfer of equity from one foreign investor to another foreign investor (including NRIs and OCBs with 60 percent of more NRI stake) and such transfer would be subject to prior approval of the Foreign Investment Promotion Board (FIPB) and the Government. (c) FDI shall be subject to policies made by the Government under the Industries (Development and Regulation) Act, 1951 from time to time. (d) Treatment of Indian companies having FDI in terms of procurement of products shall be governed by the rules and procedures regulating procurement by defence services as may be issued or modified from time to time by Ministry of Defence, Government of India. (e) FDI approval will be given by FIPB in consultation with Ministry of Defence. (f) Licences will be given to Indian companies/partnership firms given by the Department of Industrial Policy and promotion in consultation with Ministry of Defence. (g) The applicant should be an Indian company/partnership firm. (h) The management of the applicant company/partnership should be in Indian hands with majority representation on the Board as well as the Chief Executive of the company/partnership firm being resident Indians. (i) Full particulars of the Directors and the Chief Executives should be furnished along with the applications.