

Rafale: Indian Companies To Get Contracts Worth \$3-5 Bn



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India and France on Monday signed an inter-governmental agreement for supply of 36 Rafale jets to India during the visit of French President François, Hollande. The deal is valued at around Rs. 60,000 crore, over Rs. 1,600 crore a piece, but the French and Indian leaders clarified that there were still some financial issues that needed to be sorted out before a formal agreement could be signed.

The deal is important for India as the country's air force is

facing a depleting strength of just 33-34 squadrons against the sanctioned strength of 42 squadrons. Indian Air Force is making up with the aging fleet of Soviet Era Mig 21 fighters as the delivery of Indigenous light combat aircraft is still several years away.

Last year IAF Chief Arup Raha had expressed hopes to have 42 squadrons only by 2027 to successfully tackle a two front war scenario. He also said the force was committed to buy all the 120 domestically developed Light Combat Aircraft 'Tejas' as soon as public sector aviation major HAL was able to provide them.

The deal to acquire 126 medium multi-role combat aircraft (MMRCA) was hanging fire for more than a decade. Indian air force had shortlisted two aircrafts – Rafale built by Dassault of France and Eurofighter Typhoon built by a consortium of UK, Germany, Spain and Italy out of the total six fighters on offer that also included American, Russian and Swedish aircraft. However, the Rafale emerged as the eventual winner.

But the MMRCA deal, the world's biggest defence purchase proposal valued at over \$20 billion, was scrapped by the NDA government in 2014 citing the issue of affordability. However,,in a surprise move, Prime Minister Narendra Modi announced his intent to acquire 36 Rafale aircraft under an inter-government deal when he visited France in April last year.

The Rafale deal is also important for boosting Modi government's flagship program Make in India to develop indigenous manufacturing capacity.

Commenting on the development, Jayant Patil, head of defence and aerospace division of India's largest engineering company Larsen & Toubro told Rajya Sabha TV: "Signing of the MoU is a clear positive movement towards the deal. As Rafale deal is expected to bring about 50% value in off-sets. The Indian defence and aerospace Industry would



New Delhi: Prime Minister Narendra Modi and French President François Hollande greet each other after India-France agreement signing ceremony at Hyderabad House in New Delhi on Monday, Jan 25, 2016.

Photo-PTI

hugely benefit on this account with offsets likely to be valued between \$3-5 billion.”

Indian private sector companies active in defence manufacturing are hopeful to get a big chunk of these offset contracts. Puneet Kaura, CEO and MD of display and military avionics company Samtel told Rajya Sabha TV that the deal is valued at around Rs. 55-60 thousand crore and the contracts worth half the value of the deal is to be expected to be executed by Indian companies.

“We have a joint venture company with Thales. We’re hopeful to get significant work as Thales’ contribution is around 25% in the Rafale aircraft,” said Puneet Kaura, whose company Samtel has a joint venture with French defence and aerospace MNC Thales. Samtel holds 74% stake in the JV while rest is being held by Thales.

Samtel is already engaged in producing high-end display systems and other avionics for Sukhoi 30 MKI aircraft in collaboration with public sector aviation major Hindustan Aeronautics Limited (HAL).

However, Puneet Kaura clarified that the contracts to manufacture systems for Rafale are unlikely to be routed through Indian public sector companies.



Representational image. Photo-PTI

Talking about the job creation potential of the deal, Puneet Kaura said: “Hundreds of high skilled, if not thousands of high skilled jobs will be created in the country.”

The deal to buy 36 Rafale aircraft under a government contract could also prove a cost effective option as the Modi government had cancelled the deal due to the massive cost of acquiring 126 aircraft under the earlier proposal that was estimated over \$20 billion.

“India will get these aircrafts at a price payable by the French Government, and as a result the aircrafts are likely to be supplied at value lower than the earlier RFP process, said JD Patil, head of defence and aerospace division of L&T.

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