Allow 100% foreign-owned defence companies under automatic route: Thales

DEEPAK PATEL
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India should allow investments in defence sector under the "automatic" route from companies that are 100 per cent owned by foreign firms, while maintaining export control safeguards, to boost indigenous defence capabilities, Pascale Sourisse, senior executive vice-president, international development, Thales, told *Business Standard* in an interview.

According to Indian government rules, foreign companies can invest in the defence sector in India under the automatic route only if their stake does not exceed 74 per cent. Increasing ownership beyond 74 per cent makes the process more complex and requires multiple government approvals.

"Thales is headquartered in France. If we want to invest in any other European country, there are no limitations at all whatsoever. There are no limitations in the US or Australia either, where our subsidiaries are 100 per cent owned by Thales. So, we think that, going forward, if India wishes to facilitate the expansion of global players in the field of defence, it would be good if they would not limit the economic ownership of defence investors in India," Sourisse said.

She mentioned that wholly owned subsidiaries in India, if allowed under the automatic route, can operate under strict export control regulations, just as they do in other countries that allow wholly owned foreign defence companies. "The intellectual property on military equipment with the Indian team can stay in India while Thales holds full ownership of the Indian subsidiary," she added.

The defence business is extremely sensitive, she said, so Thales is accustomed to working with export control regulations.

Sourisse explained that while foreign investment up to 74 per cent is allowed under the simplified automatic route, proposals with 100 per cent foreign ownership are possible but require extensive discussions and approvals. "To submit an investment proposal in the defence sector with 100 per cent foreign ownership, it is not impossible but it requires a lot of discussions and it takes time. It is a limiting factor," she said.

Sourisse heads the international development of Thales covering Europe (except France, Germany, the UK, and the Netherlands), Africa, West Asia, Asia, and Latin America.

She also highlighted challenges in the 74-26 joint venture automatic route, noting: "Even before you have tested the merit of your proposal, you need to preselect the partner. It is difficult to convince the partner because you don't have a business case in place as you have not really been able to evaluate the opportunity."

Asked if Thales' business in India has changed in any way because of the US imposition of 50 per cent tariffs on the country, she replied: "Well, we are working on it. We are relying on India to supply solutions, not necessarily to the US. So, Thales is fortunate to have many sites that are based in Europe or in the rest of the world. Therefore, we are very careful about all this. However, this has not led to any significant impact on our activities in India."

"I would even say that it creates a desire to reinforce the link between India and Europe. That is rather what we are seeing," she added.

Thales has actively expanded its footprint in India's defence sector. In April 2025, it partnered in the procurement of 26 Rafale Marine fighter jets for the Indian Navy, supplying key systems, including the RBE2 radar and SPECTRA electronic warfare suite, with deliveries expected late 2029.

In February 2025, Thales signed a pact with Bharat Dynamics Ltd (BDL) for STARStreak man-portable air defence systems (MANPADS), including technology transfer and over 60 per cent indigenous content, reflecting a commitment to localisation. In June 2024, it tied up with Adani Defence & Aerospace to make 70mm rockets, setting up facilities for assembly and testing. The firm has a presence in civil aviation, cybersecurity, and digital sectors in India.

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Senior executive vice-president, International Development, Thales