

## 🛡️ Realisation of Service Proceeds in INR for SEZ–DTA Contracts with Indian Armed Forces

EPCES has received a representation from *L&T MBDA Missile Systems Limited (LTMMMSL)*, a Joint Venture between Larsen & Toubro (51%) and MBDA (49%). The company has set up its SEZ unit in Coimbatore to manufacture and support missile systems for the Indian Armed Forces.

LTMMMSL now intends to undertake **maintenance and overhaul services** of in-service missile launchers for the Indian Air Force under the *Make in India* initiative. While the IAF has requested these services domestically, the current provision under **Section 2(z) of the SEZ Act, 2005** mandates that proceeds for SEZ to DTA supplies of services must be realised in **convertible foreign exchange**. This creates a difficulty, since payments from the Armed Forces are made in Indian Rupees.

### ★ The Issue:

- SEZ Act requires realisation in foreign exchange for services supplied from SEZ to DTA.
- Indian Armed Forces can only make payments in INR.
- This mismatch risks discouraging strategic defence service activities from being undertaken within SEZs.

### ★ EPCES View & Way Forward:

- EPCES supports LTMMMSL's request that **realisation in INR be permitted as a special case** for SEZ to DTA contracts with Indian Armed Forces, in line with practices already available for DTA and EOU units.
- A **clarification from the Ministry of Commerce & Industry** (and amendment to the SEZ Act, if necessary) is sought to resolve the issue.
- This change would ensure that SEZ units can continue contributing to *Atmanirbhar Bharat* and national defence programmes without being forced to exit SEZs.

EPCES is actively taking up this matter with the concerned authorities and will keep members updated. Representation is attached.



Director General EPCES &lt;dg@epces.in&gt;

## Requesting for Permission to Realise Service Proceeds in INR for Contracts Executed from SEZ to DTA for Indian Armed Forces

3 messages

Yamanappa R. Patrut &lt;Yamanappa.Patrut@Intmbda.com&gt;

8 September 2025 at 11:54

To: "dg@epces.in" &lt;dg@epces.in&gt;

Cc: Bargavi Natesan &lt;bargavinatesan@sprandco.com&gt;

Dear Sir,

Good Morning and Greetings from L&amp;T MBDA Missile Systems Limited (LTMMSL).

I thank for you for providing us an opportunity to present our case for the concern we are having in rendering services from SEZ to DTA for Indian Armed Forces.

I am enclosing the letter submitted Commerce Secretary requesting for Permission to Realise Service Proceeds in INR for Contracts Executed from SEZ to DTA for Indian Armed Forces

We request your support in taking up the concerned ministry and we kindly request that realisation of Contract proceeds in INR be permitted as a special case for providing services to Indian Armed Forces from SEZ Unit as in case of DTA and EOU. Else we may be compelled to exit from SEZ and execute such projects outside the SEZ.

Kind Regards

**Yamanappa R Patrut****Chief Marketing & Sales Officer**

L&amp;T MBDA Missile Systems Limited

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Email: [yamanappa.patrut@Intmbda.com](mailto:yamanappa.patrut@Intmbda.com) | Web: <http://www.Intmbda.com>**LTMMSL Letter to Commerce Secretary.pdf**

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Director General EPCES &lt;dg@epces.in&gt;

8 September 2025 at 13:18

To: VIMAL ANAND &lt;vimal.anand@nic.in&gt;

Cc: csooffice@nic.in, ss.lss-doc@gov.in, OSD cum Special Secretary Commerce &lt;rajesh.agrawal@nic.in&gt;, Gaurav Pundir &lt;gaurav.pundir@gov.in&gt;, RSECY@nic.in, prinsec2@pmo.gov.in, rajiv.gauba@gov.in

Dear Sir

Please refer to the trailing email attaching a representation from M/s L&T MBDA Missile Systems Limited, a Joint Venture Company between Larsen & Toubro (L&T) 51%, and MBDA 49%, a world leader in missile systems. It aims to develop and supply missiles and missile systems to meet the growing requirements of the Indian Armed Forces. LTMMMSL has established a manufacturing facility in SEZ in Aspen Park Infra Coimbatore Private Limited, Tamil Nadu in FY20.

They have stated that they now intend to undertake maintenance and overhaul services for the existing in-service missile launchers of the Indian Air force (IAF). The legacy missile launchers were supplied by MBDA to IAF for their Mirage 2000 fighter aircrafts in the past and are now due for maintenance and overhaul. In line with the "Make in India" initiative under "Atmanirbhar Bharat", IAF has asked LTMMMSL to undertake this activity in India, thereby enabling skill and competency development within India. LTMMMSL has obtained necessary clearances to undertake this work and is expecting to receive Service contracts from IAF for maintenance and overhaul of missile launchers. It is planned to undertake and deliver these services from the existing SEZ Unit to Domestic Tariff Area (DTA) i.e. Indian Air Forces bases. However, as per Section 2(z) of The Special Economic Zones Act, 2005 (SEZ Act), the realisation for services rendered from an SEZ to Domestic Tariff Area are to be received in convertible Foreign Exchange. This is creating problem for LTMMMSL as well as IAF.

It is requested that their problem may kindly be resolved either through an immediate clarification followed by amendment in the Act, if required.

With regards,



(Alok Chaturvedi)



**Alok V Chaturvedi, IAS(Retd)**

Director General,

Export Promotion Council for EOUs and SEZs,

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*Export Promotion Council for EOUs (Export Oriented Units) and SEZs (Special Economic Zones) (EPCES) is a multi-product Export Promotion Council set up by the Ministry of Commerce and Industry, representing the interests of SEZ units, SEZ developers and Export Oriented Units. It has 5971 members with 4629 SEZ units, 384 SEZ developers and 958 EOUs. In FY 2023-24, total exports of goods and services from SEZs were recorded at US \$ 163.69 billion and export of goods from EOUs at 17.2 billion.*

[Quoted text hidden]



**LTMMMSL Letter to Commerce Secretary.pdf**  
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Director General EPCES <dg@epces.in>

To: "Yamanappa R. Patrut" <Yamanappa.Patrut@Intmbda.com>

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