DEFENCE MANUFACTURING

ARMING INDIA WITH LIMITLESS POTENTIAL
DEMAND DRIVERS – KEY OPPORTUNITIES

01 FLEET MODERNISATION
In the next 5-7 years, Government to spend USD 130 Bn for fleet modernisation across all armed services

02 FIELD ARTILLERY RATIONALISATION PLAN
1,580 towed artillery guns, 814 Mounted Gun Systems, 100 tracked artillery guns to be acquired

03 INFANTRY MODERNISATION
Requirement of 7.5 L Assault Rifles, 3.5 L close quarter battle carbine and 40,000 light machine guns. Future Infantry Soldier as a System (F-INSAS) to transform the Indian soldier into a ‘next-gen self-contained fighting machine’

DEFENCE SECTOR OVERVIEW

1. India contributes 3.7% to the total global military expenditure

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DEGREE

1. 5th largest
   Defence budget in the world, USD 42.7 Bn (2019-20)

2. 2nd largest
   Armed force in the world (1.3 Mn active personnel)

3. USD 14.56 Bn
   Allocated for capital expenditure (2019-20)

DEFENCE BUDGET

- India contributes 3.7% to the total global military expenditure
- USD 668 Mn worth of exports (2017-18); military exports to 18 major countries (2017-18)
- Defence Budget Allocation:
  - Army: 55%
  - Air Force: 23%
  - Navy: 15%
  - DRDO: 6%
  - OFB: 1%

VALUE OF OUTSOURCING

- Value of outsourcing as a percentage of value of production steadily increased from 37.4% in FY 2015-16 to 38.7% in 2017-18

VALUE OF EXPORTS

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**DEMAND DRIVERS – KEY OPPORTUNITIES**

**04 MULTI-ROLE FIGHTER AIRCRAFT ACQUISITION**
Requirement of 110 aircraft under the Make in India initiative

**05 LIFE-CYCLE AND OBsolescence MANAGEMENT**
Identification and risk mitigation for parts, spares, equipment, skills (people), and software for service life extension

**06 NAVAL AVIATION**
DAC approved acquisition of 24 naval multi-role helicopters capable of anti-submarine warfare, 111 NUHs to be made under Strategic Partnership model

**07 NEW PRODUCTS**
Over the last 4 years, Ministry of Defence unveiled several products manufactured in India - such as the Akash Surface to Air Missile System, Dhanush Artillery Gun system, Light Combat Aircraft, INS Kadmatt, INS Kiltan, INS Kalvari.

**POLICY SUPPORT & INCENTIVES**

**A. FDI Policy**
- 49% through Automatic route and up to 100% through Government route
- 100% through automatic route for most aero-components

**B. Strategic Partnership Policy**
Establishment of long-term strategic partnerships between the Indian private sector and global Original Equipment Manufacturers (OEMs)- through a transparent and competitive process- to seek technology transfers which will enable the setting up of domestic manufacturing infrastructure and supply chains

**C. Defence Offset Policy**
The process of Offset implementation has been streamlined. The requirement of prescribing Indian Offset Partners and components for Offset discharge for the entire period of contract, at the time of signing, has been done away with - giving more flexibility to OEMs. The provision of ‘Services’ for discharge of Offsets has been reinstated based on demands of the industry

**D. Defence Industrial Corridors**
Development of 2 industrial corridors (Tamil Nadu & Uttar Pradesh) dedicated to defence manufacturing
E. Industrial License

- Reduced entry barriers for new entrants, as the new liberalized regime has scrapped obtaining Industrial Licensing for the majority of components/parts/sub-systems for defence manufacturing
- In order to ensure continued manufacturing of defence and aerospace products, validity of licenses has been increased from 3 to 15 years

F. Innovations for Defence Excellence (iDEX)

As the execution arm of Defence Innovation Organisation, iDEX aims to set up Defence Innovation Hubs across the country - to develop an ecosystem that will foster innovation and technology development in the Aerospace & Defence sector by engaging industries including MSMEs, startups, individual Innovators, R&D institutes and academia

- Defence India Startup Challenge: The Defence India Startup Challenge is an initiative by the Defence Innovation Organization in partnership with Atal Innovation Mission. It aims to support Startups/MSMEs/Innovators in creating prototypes and/or commercialising products/solutions in the arena of National Defence and Security

G. Defence Investor Cell:

Created in the Department of Defence Production to address queries related to investment opportunities, procedures and regulatory requirements for investment in the sector

H. Authorisation for Export

A web-based single window interface has been created to issue authorisation for export. The process is transparent and time-bound. Average processing time has been reduced to 25 days, and 70% of the NOCs were issued in 15 days

I. Registration of Firms

Renewal of registration can be carried out on a self-certification basis. The capacity verification of non-registered firms participating in tender enquiry (earlier carried out on a tender-specific basis) has now been made valid for 3 years. This will have the same renewal facility in line with the registered firms

J. Make in India Portal

This has been launched specifically for the defence sector (www.makeinindiadefence.gov.in)

Through this portal, all policies, procedures and promotional measures related to defence production are available on a single platform
Ministry of Defence:

The Government of India is responsible for the defence and security of the country. The responsibility for national defence rests with the Cabinet. This responsibility is discharged through the Ministry of Defence, which provides policy framework and wherewithal to the Armed Forces to discharge their responsibilities. The Raksha Mantri (Defence Minister) is the head of the Ministry of Defence.

Department of Defence Production (DDP): It was set up in November 1962 with the objective of developing a comprehensive production infrastructure to produce the weapons, systems, platforms and equipment required for defence. Over the years, the department has established wide ranging production facilities for defence equipment through Ordnance Factories and Defence Public Sector Undertakings (DPSUs).
INDUSTRY CLUSTERS/ZONES

EXISTING AEROSPACE PARKS

Hissar: Aviation Hub
Nagpur: Dhirubhai Ambani Aerospace Park
Shamshabad: GMR Aerospace and Industrial Park
Belagavi: Aequs SEZ
Gubbi: Light Utility Helicopter Manufacturing Facility
Delhi: Air India MRO

Chola: Chola Intergrated Industrial City
Bhaupur: Bhaupur Industrial Manufacturing Cluster
Adibatla: Adibatla Aerospace and Defence Park
Bengaluru: Aerospace Park
Kochi: Vadagal Aerospace Park
KEY PLAYERS IN INDIA

**Hindustan Aeronautics Ltd.**
- Bengaluru, Karnataka
- Barrackpore, West Bengal
- Nasik, Maharashtra
- Pune, Maharashtra
- Lucknow, Uttar Pradesh
- Hyderabad, Telangana
- Koraput, Orissa
- Korwa, Uttar Pradesh
- Kanpur, Uttar Pradesh

**Bharat Electronics Limited**
- Panchkula, Haryana
- Ghaziabad, Uttar Pradesh
- Pune, Maharashtra
- Kotdwar, Uttarakhand
- Taloja, Maharashtra
- Hyderabad, Telangana
- Bengaluru, Karnataka
- Chennai, Tamil Nadu
- Machilipatnam, Andhra Pradesh

**Mishra Dhatu Nigam Ltd. (MIDHANI)**
- Hyderabad, Telangana
- Rohtak, Haryana

**Mazagon Dock Shipbuilders Ltd.**
- Mumbai, Maharashtra
- Nhava, Maharashtra

**Goa Shipyard Ltd.**
- Vasco da Gama, Goa

**Hindustan Shipyard Ltd.**
- Vishakapatnam, Andhra Pradesh
KEY PLAYERS IN INDIA

Bharat Dynamics Ltd.
- Hyderabad, Telangana
- Medak, Telangana
- Vishakapatnam, Andhra Pradesh

Garden Reach Shipbuilders and Engineers Ltd.
- Kolkata, West Bengal
- Ranchi, Jharkhand

Defence Research and Development Organisation
- Bangalore, Karnataka
- Dehradun, Uttarakhand
- Chandigarh, Punjab
- Agra, Uttar Pradesh
- Kanpur, Uttar Pradesh
- Delhi
- Hyderabad, Telangana
- Vishakapatnam, Andhra Pradesh
- Pune, Maharashtra
- Nasik, Maharashtra
- Ambarnath, Maharashtra
- Balasore, Odisha
- Jodhpur, Rajasthan
- Gwalior, Madhya Pradesh
To find out more
https://www.investindia.gov.in/sector/defence-manufacturing

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