New Research Report

OPPORTUNITIES IN INDIAN DEFENCE MARKET 2019

Market Analysis, Potential for Offsets and Future Outlook

- Report (PDF)
- Data-set (Excel)

India Infrastructure Research

Emerging trends and focus areas

- India's defence sector has been growing at a modest pace for the past few years. Modernisation of the armed forces and indegenisation of manufacturing have emerged as focus areas. The segment is receiving the much needed push under the Make in India programme. The concept of import substitution is being gradually accepted by stakeholders. This is an opportune time to embark upon a new phase of self-reliance in the sector by manufacturing technologically advanced equipment within India.
- Defence production in India is gradually heading towards private sector participation. Between 2015-16 and 2018-19 (April-October), out of a total 188 contracts, 121 contracts have been signed with Indian vendors including DPSUs/PSUs/OFB and private vendors for capital procurement of defence equipment. The equipment to be procured includes Helicopters, Naval vessels, radars, ballistic helmets, artillery guns, simulators, missiles, bullet proof jackets, electronic fuzes and ammunition.
- DPP 2018 is a step towards creating an industry-friendly structure to facilitate better contract negotiations and improve the pace of contract awards. Breakthroughs like Make procedure, strategic partnership (SP) model, liberalisation of FDI norms and creation of a level-playing to private industry have been introduced. However, the strategic partnership (SP) policy has several shortcomings which might create barriers in realising the goals.

Progress under offsets

- The objective of the Indian defence offset guidelines to encourage foreign vendors to engage in complete transfer of technology arrangements with Indian offset partners has remained largely unmet. That said, the government is set to announce radical changes in the guidelines to bring in investments in the defence and aerospace segments. As per the India Infrastructure Research, nearly $13.5 billion worth of defence offset obligations would be discharged in India by foreign OEMs in the eight to 10 years.

Outlook and opportunity

- The size of the opportunity is huge. The government is looking at achieving a turnover of Rs 1.7 trillion in military goods and services by 2025 and the SP model is envisaged to capitalise this opportunity and contribute to Make in India programme. The target also is to achieve export of Rs 350 billion (USD 5 billion approximately) in defence goods and services by 2025. As per the acquisition plans of the three armed forces in the next 10 years, the industry is expected to acquire capital assets worth Rs 15 trillion.

Executive Summary

India's defence industry has been growing at a modest pace for the past few years. Modernisation of the armed forces and indigenisation of manufacturing are the key focus areas. The segment is receiving the much needed push under the Make in India programme. The concept of import substitution is being gradually accepted by stakeholders. This is an opportune time to embark upon a new phase of self-reliance in the sector by manufacturing technologically advanced equipment within India. Private sector participation is gradually picking up. The objective of the Indian defence offset guidelines is to encourage foreign vendors to engage in complete transfer of technology arrangements with Indian offset partners. That said, the government is set to announce radical changes in the guidelines to bring in investments in the defence and aerospace segments. Going forward, the government plans to substantially step up investments in modernisation of the armed forces and creation of infrastructure especially in the aerospace and electronics segments. In this regard, the new Defence Procurement Procedure is expected to facilitate better contract negotiations and improve the pace of contract awards.

Executive Summary

SECTION I: RECENT TRENDS, DEVELOPMENTS AND OUTLOOK

1. Sector Overview
   - Existing Infrastructure Gaps
   - Industry Structure and Key Agencies
   - Growth Drivers
   - R&D Landscape
   - Trends in FDI
   - Trends in Exports and Imports
   - Trends in Budgetary Allocations
   - Key Developments
   - Issues and Challenges
   - Sector Outlook

2. DPP 2016 and Strategic Partnership Model
   - An Introduction to DPP
   - DPP 2016
   - De-coding Acquisition Categories
   - Buy (Indian - IDDM)
   - 'Make' Category- Features
   - Impact on Capital Procurement under the Buy Indian (IDDM) and Make Indian Categories
   - Amendments to DPP 2016
   - Impact of Amendments
   - Strategic Partnership Model
   - Next Steps Towards New DPP - Draft DPP-2018
   - State-Level Defence Manufacturing Policies
   - Unresolved Issues and Concerns

3. Defence Manufacturing Landscape
   - Current Scenario
   - Defence Production by DPSUs/OFB
   - Capital Expenditure
   - Growth Drivers
   - Key Developments
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   - FDI
   - Defence Electronic Manufacturing
   - Focus on Modernisation
   - Acquisition under Make in India
   - Current Role of MSMEs
   - Measures to Improve MSMEs Potential
   - Potential Role of MSMEs
   - Upcoming Contracts
   - Market Opportunity
   - Future Outlook

4. Potential for Private Sector Participation
   - Experience So Far
   - Major Developments
   - Key Players
   - SP Policy
   - Impact of the Strategic Partnership Policy
   - Key Completed/In Process of Delivery Projects
   - Focus on JVs and Collaborations
   - Tax Environment
   - State-level Incentives
   - Recently Awarded Contracts
   - Emerging Areas of Private Participation
   - Upcoming Opportunities
   - Issues and Challenges
   - The Way Forward

5. Sector Outlook and Market Opportunities
   - Investment Requirements
   - Budget Projections
   - Acquisition Plans of Armed Forces
   - Opportunities in Future Acquisitions/Programmes
   - Infrastructure Development (Manufacturing Clusters and Parks)
   - Capital Acquisition in Defence Procurement
   - Segment-wise Opportunities

SECTION II: DEFENCE OFFSETS: PROGRESS AND OPPORTUNITIES

6. Defence Offsets Market
   - Evolution of Indian Defence Offset Industry
   - Progress So Far
   - Indian Offset Guidelines: Impact and Gaps
   - Discharged Offset Obligations
   - Key Offset Contracts and Performance
   - Incentives and Penalties
   - Issues and Challenges

7. Future Potential and Outlook
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   - International Best Practices
   - Expectations from the New Offset Guidelines
   - Outlook and Opportunities
   - Next Steps for IOPs

SECTION III: SEGMENT ANALYSIS AND OUTLOOK

8. Key Segments
   - Aerospace
     - Overview
     - Global Aerospace Industry
     - Fleet Size

- IAF Aircraft
- Industry Structure
- Key Domestic Players
- Key International Players
- Other Key Vendors
- Trends in Aerospace Expenditure
- Export and Imports
- Role of DRDO and OFB
- Key Contracts Awarded
- Collaborations and Tie-ups
- Upcoming Contracts and Orders
- Make in India Initiative
- Products under Make in India
- Impact of Make in India on Indeginisation
- Focus on Indigenisation
- Focus on Indigenisation - Requirements of IAF
- Modernisation Plans – Ongoing and Completed
- New Launches
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- Market Opportunities
- Segment Outlook

❖ Armoured and Defence Logistics Vehicles
- Introduction
- Trends in Expenditure
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- Industry Structure
- Key Public and Private Players - Armoured and Defence Vehicles
- Key Public and Private Players- Heavy/Construction Vehicle Providers
- Key Developments
- Key Contracts Awarded
- Key Collaborations and Tie-ups
- Make in India and Focus on indeginisation
- Impact of Make in India
- R&D initiatives
- Modernisation Plans- Armoured Vehicles
- New Launches/Inductions/Upgrade
- Upcoming Contracts
- Market Opportunity
- Segment Outlook

❖ Arms and Ammunition
- Market Size and Growth
- Trends in Expenditure
- Key Contracts Awarded
- Industry Structure and Key Players
- Role of DRDO
- Role of OFB
- Collaborations and Tie-ups
- Impact of Make in India on Indigenisation
- Modernisation Plans and New Product Launches
- Upcoming Contracts
- Segment Outlook

❖ Electronics and Communication Systems
- Market Size and Growth
- Key Contracts Awarded
- Industry Structure and Players
- Role of DRDO
- Collaborations and Tie-ups
- Impact of Make in India on indigenisation
- TPCR 2018
- R&D Initiatives
- Modernisation Plans and New Product Launches
- Upcoming Contracts and Orders
- Segment Outlook

❖ Shipbuilding
- Existing Fleet Size
- Trends in Expenditure
- Key Contracts Awarded
- Industry Structure and Key Players
- Role of DRDO
- Collaborations and Tie-Ups
- Impact of Make in India on Indigenisation
- Modernisation Overview and Plans
- Upcoming Contracts
- Segment Outlook

SECTION IV: KEY PLAYERS

9. Profiles of Defence Public Sector Undertakings (DPSUs)
❖ Bharat Dynamics Limited
❖ Bharat Electronics Limited
❖ Bharat Earth Movers Limited
❖ Garden Reach Shipbuilders and Engineers Limited
❖ Goa Shipyard Limited
❖ Hindustan Aeronautics Limited
❖ Hindustan Shipyard Limited
❖ Mazagon Dock Limited
❖ Mishra Dhatu Nigam Limited

10. Profiles of Private Players
❖ Airbus Group India
❖ Ashok Leyland Defence Systems
❖ Bharat Forge Limited
❖ BAE Systems India
❖ Boeing India
❖ Larsen and Toubro (L&T)
❖ Dassault Aviation
❖ Tata Group
❖ Reliance Defence Limited
❖ Punj Lloyd Industries Limited
❖ Mahindra Defence Systems
❖ Adani Defence & Aerospace
❖ Other Players (Domestic and Foreign)

Each profile will give an overview of the company's operations, key contracts, recent collaborations, joint ventures, and future plans and strategies.

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