Industry Insight

INDIAN DEFENCE

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Cygnus
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SYNOPSIS

Indian government budget allocation to defence for the financial year 2007-08 (April 2007 - March 2008) is Rs960 billion (about USD23.42 billion), which is 14.11% of Federal Government expenditure. About 44% of this amounting Rs419.2 billion (USD10.22 billion) is under the capital head, which is spent on acquisitions of new weapons, systems and equipment. Balance Rs.540.78 billion (USD13.19 billion), is under revenue and is allocated for buying spares, general stores, fuel, clothing, food, medical stores etc. It is estimated that defence procurement up to 2012 will be over USD45 billion, which makes it one of the most attractive defence markets in the world in terms of business potential.

Currently about 70% of the procurement in value terms, is from foreign sources. The current defence market for private sector firms in India, which includes outsourcing from Defence Public Sector Units and Ordnance Factories is estimated to be USD700 million. This spend will further increase since the Indian Defence Industry is determined to increase the participation of private players. Presently more than 5,000 Indian companies are supplying around 25% of components and subassemblies to state-owned companies. But the situation is expected to be changed with the creation of more public-private partnership. However, foreign companies will continue to have an edge over Indian companies for the supply of defence armaments and transfer of technology.

This report discusses about Indian defence structure, various organizations and their role, Defence Procurement Policy 2006 in detail. Offset policy and its implications, need for technology in armed forces and emerging opportunities for Indian industries to supply various equipments and technology, details about major defence public sectors and some private companies, critical success factors and growth drivers. Future outlook has been discussed from the perspective of policies and defence budget.

The report is useful for foreign armament and equipment suppliers for defence, defence analysts across the world, large Indian heavy engineering companies, SMEs in light engineering, banks and financial institutions, investors, consultants, corporates engaged directly or indirectly in the industry and international readers who want to keep abreast of the Indian defence industry and its need for future technologies and equipments.

The report has 136 pages and is organised into 10 chapters (excluding Ex. Summary and Highlights) containing 3 figures, 4 tables and 4 annexure (bibliography and abbreviations used, brief about Ordnance factories and Defence Procurement Procedure 2006 in detail).

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