

# Defence contracts worth ₹1.8 trn inked in FY26 so far: MoD

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Contracts worth ₹1.82 trillion have been signed in nine months through December to acquire weapons and equipment for the armed forces, the government said on Thursday.

During the period under review, till the third quarter ending December, 80 per cent — approximately ₹1.2 trillion — of the ₹1.49 trillion capital acquisition, or modernisation, budget for the financial year 2026 (FY26) had also been utilised.

This puts the Ministry of Defence (MoD) on track to match — or potentially exceed — the record ₹2.1 trillion worth of contracts inked in FY25, and strengthens its case for doubling the rate of growth in the modernisation component of the defence allocation to 20 per cent in the upcoming Union Budget. The modernisation budget finances the capital acquisition requirements of the Army, Navy and Air Force, covering new aircraft, ships, tanks, weapons, missiles, and other modernisation needs.

An MoD release on Thursday said that these capital contracts and expenditures were intended to ensure the “modernisation of the armed forces”, an imperative that has acquired greater significance

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**TOTAL BUDGETARY ALLOCATION FOR THE DEFENCE MINISTRY IN FY26 STOOD AT ₹6.81 TRILLION**

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following Operation Sindoor in May 2025 and the geopolitical turmoil in other parts of the world.

“The overall capital expenditure of the MoD has also reached up to 76 per cent, which includes expenditure on infrastructure, land, research and development, etc., in addition to capital acquisition,” said the MoD.

The total budgetary allocation for the MoD in FY26 stood at ₹6.81 trillion, of which ₹1.8 trillion—accounting for over 26 per cent—was earmarked for capital outlay on defence services. The armed forces’ modernisation budget forms part of this capital outlay.

At an industry event in November, Defence Secretary Rajesh Kumar Singh had said the MoD would seek an increase of about 20 per cent in the modernisation component of the FY27 defence budget—roughly double the usual 10 per cent increase seen in previous years. This could translate into a modernisation outlay of approximately ₹1.79 trillion in FY27. Singh claimed that he did not anticipate difficulties in securing such an allocation from the Ministry of Finance.