

Industry seeks 50% govt sourcing in space sector



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THE PRIVATE SPACE industry has urged the government to mandate that at least 50% of all public procurement of space-related hardware, services and missions be sourced from domestic companies, stating that assured demand is now the single most important factor for scaling the sector.

In recommendations submitted ahead of the Union Budget, the Indian Space Association (ISPA), along with Deloitte India, said a formal procurement mandate would provide the demand visibility needed for private players to expand capacity, attract long-term capital and move from pilot projects to commercial scale operations.

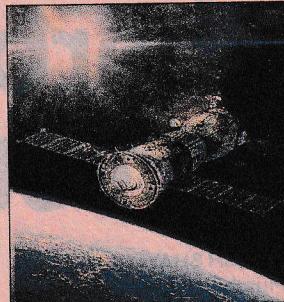
The industry body said that while the space policy of 2023 opened the sector to private participation, growth has been constrained by the absence of predictable government orders.

Domestic companies today have operational capabilities across satellite manufacturing, earth observation, launch subsystems and downstream data services, but limited demand visibility has held back large investments.

ISPA has proposed that at least half of government procurement in space-related areas be routed through domestic private entities.

This would cover satellites, payloads, earth observation data, satellite communication services, launch subsystems and ground infrastructure.

ASSURED DEMAND



■ Proposal routes half government procurement via private domestic firms

■ Space to be recognised as a formal infrastructure sub-sector

■ Ministries could act as anchor customers under the framework

■ Fiscal incentives sought, including PLIs, tax holidays & R&D credits

■ The proposals are aimed at strengthening manufacturing capability

Ministries such as defence, telecommunications, agriculture, environment and urban affairs, which are increasingly dependent on satellite data, could act as anchor customers under the framework.

According to the industry body, such a model mirrors global practice.

In the US and Europe, government agencies procure a majority of space systems from private players, allowing companies to scale while public agencies focus on strategic and exploratory missions.

A similar approach in India would allow Isro to concentrate on research and national missions, while commercial activity shifts to industry.

The industry has also linked demand creation to access to capital.

Space projects typically

involve high upfront costs and long gestation periods, making financing difficult under conventional lending norms. ISPA has therefore proposed recognising space infrastructure as a formal infrastructure sub-sector, which would allow access to long-term bank lending, infrastructure bonds and viability gap funding.

The move could lower borrowing costs by up to 200–300 basis points, improving project viability.

Another key proposal relates to government use of satellite data.

With geospatial intelligence increasingly used in governance, disaster management and urban planning, the industry has suggested that government agencies procure satellite imagery and analytics only from empanelled domestic firms.

This, combined with geotagging and access controls, would support domestic companies while addressing data security concerns.

Beyond demand creation, the recommendations include fiscal support measures such as production-linked incentives, tax holidays, R&D credits and accelerated depreciation for space assets.

These are aimed at strengthening manufacturing capability and improving global competitiveness as the country looks to expand exports of satellites, launch services and downstream applications.

Industry executives said a clear demand signal in the Budget could mark a turning point for the sector.

With private players already investing in launch vehicles, satellite platforms and data services, a procurement-backed framework could help convert technical capability into commercial scale and position India as a more significant player in the global space economy.