

Pvt firms may sell ₹60K cr arms to MoD

Total biz opportunity worth ₹2.75 trn may open up, says ICRA report

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Indian private defence firms will supply equipment worth ₹60,000 crore to the military during the fiscal years ending March 31, 2024 and 2025 (FY24 and FY25), according to a study by the Investment Information and Credit Rating Agency (ICRA).

The ICRA study predicted that business opportunities worth ₹2.75 trillion are expected to open up for Indian defence entities in the next two years. Private sector entities will capture 22 per cent, or ₹60,000 crore of this.

“This is in the backdrop of the sustained increase in annual budgetary allocations, coupled with the government’s focus on reducing import dependence; and the ambitious target of ₹1.75 trillion in annual defence production by FY25,” said an ICRA release on Monday.

“The value of defence production has crossed the figure of ₹1 trillion for the first time ever during financial year 2022-23,” the defence ministry (MoD) stated in Parliament on July 21, 2023.

ICRA expects the share of private entities in the total production to gradually improve to 22 per cent and their production to grow at a compound annual growth rate (CAGR) of 20 per cent in the next three years to reach ₹34,000 crore by FY26, the

ICRA release added.

Indian defence production is expected to grow at a CAGR of 13.5 per cent in the next three years and reach ₹1.6 lakh crore by FY26, the release said.

The government listed out in Parliament on September 14, 2020 the numerous measures it had taken in the past few years to enhance private sector participation. These included a new category of capital procurement — ‘Buy {Indian-IDDMM (Indigenously Designed, Developed and Manufactured)}’ – that was introduced in the Defence Procurement Procedure (DPP)-2016 to promote indigenous design and development of defence equipment. It has been accorded top most priority for procurement of capital equipment.

In addition, an innovation ecosystem for defence, titled Innovations for Defence Excellence (iDEX), was launched in April 2018. iDEX is aimed at creating an ecosystem to foster innovation and technology development in defence and aerospace by engaging industries including MSMEs, start-ups, individual innovators, R&D institutes, and academia.

In February 2018, the MoD established two defence industrial corridors to serve as engines of economic development and growth of defence industrial base in the country.