

Neo Defense Consulting

Report on

Business Opportunities for MSMEs in Indian Defence Programs



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About the Report

This report has been prepared for the Indian industry who intends to identify potential business opportunities in the emerging defense sector.

The objective of the report is to provide basic information to the industry on the organisation of Defense Forces and their requirements of equipment/weapons systems thus, helping the industry to orient towards participation in manufacturing of defense products. The level of understanding of defense requirements by the industry varies depending on the exposure of the individuals to the defense environment. The contents of the report have been formulated to make the non-defense persons understand the defense organisations, equipment profile and their future requirements. This will help them visualise the scope of business opportunities in defense equipment manufacturing, maintenance and services segment. The chapters on existing defense industrial base have been included to enable MSMEs to look for business opportunities by being the tier-1 to tier-4 suppliers to the original equipment manufacturers.

This report examines policies and practices in Indian defense sector along with the existing equipment profile within the defense services and the opportunities in the procurement, production, up gradation and maintenance of weapons and equipment. The opportunities presented by the “Make in India” initiative have been researched and documented in the report. The various agencies and Government departments involved in the defense sector, the public sector enterprises and major private foreign and domestic players have been listed in the study.

The report may not satisfy the needs of all the readers, however it would definitely be useful to a majority of them who are seriously looking at growing their business in the Indian defense market.

Publicly available information, commercially sourced data, interviews with officials in government and industry, and analyses by Neo Defense Consulting’s global network of military professionals were applied to develop the analyses and conclusion presented in the report. This is an independently written report and the data and conclusions herein have not been submitted for review or approval by any government organization, corporation, or other institution.

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Introduction

The objective of this report is to identify and evaluate the potential and business opportunities particularly MSMEs, in manufacturing for the domestic defense industry. Establishing and maintaining a robust defense industrial base in India is the focus of the Government. Hostile neighbourhood, continuous border disputes and internal security issues mandate the need for a modernised and fully equipped national defense structure. The Government has introduced several reforms and policies in the last two decades such as the Defence Procurement Policy, Defence Offset Policy, Defence Production Policy and licensing and export reforms to facilitate the development of a reliable defense industry. The latest “Make in India” initiative aims to focus heavily on the in-house manufacturing capabilities for meeting the defense requirements of the Armed Forces. The policies are positive and intend to bring about a major change, however, the challenge lies in implementation. The industry has predominantly been influenced by the public sector - Defence Research and Development Organisation (DRDO), Ordnance Factory Board (OFB) and Defence Public Sector Units (DPSUs). The government in the past has been biased

towards state agencies in defense and private companies were not allowed to enter the sector until 2001. Though being at a disadvantage compared to DPSUs and OFs, private companies have gradually entered the defense market and are increasingly involved in military production and manufacturing. Over the years, several private sector companies such as Larsen & Toubro (L&T), the Tata group, Mahindra & Mahindra (M&M) group and Ashok Leyland have been engaged in defense manufacturing in varying capacities. From being Tier 2 and Tier 3 suppliers to state agencies to now competing for indigenous ‘Make’ defense projects, private firms aim to become system integrators and enter the global defense market as large scale players.

However, still a majority of the private players are small and medium enterprises which do not have the resources to invest in a R&D and technology intensive industry like defense. As the global defense market is reducing, India due to its engineering capability, skilled human resource, low costs of production and increased demand for indigenous manufacturing is an attractive location for developing and investing in the defense industrial complex. The report will try to

analyse the domestic defense industry in India from an economic perspective focussing on the Indian military requirements, current capabilities versus future needs, Government policies, market structure and the public/ private enterprises involved. The aim of the report is to

apprise the readers about the defense market in India, the current and future projected opportunities for MSMEs, the players in the market, the basic regulatory framework and the bureaucratic machinery involved.

The aim of the report is to apprise the prospective industry players about the defence market in India, requirements of the defence customers and likely business opportunities for MSMEs.

