

Defence Sector

Rs. 60,000 crore of opportunities for private players in the Indian Defence segment over the next two years

AUGUST 2023





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ICRA expects the share of private sector entities in the Indian Defence production to improve to 22% in the next two years from 19% (for FY2023) on the back of various policy measures and increased capital budget allocation by the Government.



- India was the fourth largest military spender in the world in 2022. The Government of India (GoI), in the Union Budget 2023-2024, continued the increasing trend in allocation to capital outlay with a YoY increase of 6.6% in FY2023-24 Budget Estimates (BE) to Rs. 1.62 lakh crore, resulting in a CAGR of 10.1% during FY2019-FY2024. This, coupled with Government's aim to reduce dependence on imports, would open up various opportunities and thus benefit domestic companies in the Defence sector.



- Policy initiatives in the Defence Sector, with Atmanirbhar Bharat at its core, have reduced procurement from foreign vendors (to 32% in FY2023 Revised Estimates (RE) from 61% in FY2008). This has helped enhance domestic design capabilities, encouraged investments and enabled the sector to grow tremendously in the past few years, thus boosting the long-term prospects of the Indian Defence manufacturing sector.



- Buoyed by the increased budgetary allocation, coupled with Government's aim to reduced dependence on imports and its target production of Rs. 1.75 lakh crore by 2025, ICRA estimates opportunities worth Rs 2.75 lakh crore for the Indian domestic entities over the next two years, 22% of which is available for the private sector entities.



- While the Indian Defence sector has been and is likely to be dominated by the Defence Public Sector Undertakings (DPSUs), the share of private entities is expected to improve to 22% and their production is estimated to grow at a CAGR of 20% in the next three years. Going forward, while DPSUs would continue their dominance in the Naval, Aerospace and Armaments segments, the Land and ICT-based segment is expected to witness increased private sector participation.



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