

India Defense Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 72 pages | Mordor Intelligence

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Report description:

The Indian defense market is anticipated to register a CAGR of over 4% during the forecast period.

Key Highlights

Although the COVID-19 pandemic affected the Indian economy, its impact was not felt on the country's defense spending. On the other hand, India's stand-off with China during the same timeframe forced the government to take quick measures to modernize its military equipment while also reducing its dependence on imports, thus, supporting the market growth.

The geopolitical conflicts between India and its neighboring nations and the threat of terrorism have forced the country further to reinforce its perimeter security and naval and airborne capabilities. The country has constantly been increasing its defense expenditure over the years. The budget for 2022, valued at USD 70.6 billion (INR 5.25 trillion), represented an increase of 10% compared to the previous year's allocation and the sharpest increase in the defense budget in recent years. The increasing defense budget is expected to drive market growth during the forecast period.

India strives for self-sufficiency across various sectors, including defense, by promoting the 'Make in India' initiative through focused, sustained, and evolved indigenization programs. This may provide new growth opportunities for players in the market.

India Defense Market Trends

Air Force Segment Held the Largest Revenue Share in 2021

As of 2021, the airforce segment held the highest market share out of all the segments. The increased focus on the modernization of aircraft capabilities with the projected deliveries of various aircraft, including the Dassault Rafale, Ilyushin Il-76 (A50E) (AEW), HAL Tejas LCA Mk 1, Dornier 228, HAL Dhruv ALH/Rudra, and HAL Light Combat Helicopter within the forecast period, are expected to drive the growth of the segment. The increasing efforts of India toward achieving self-reliance in terms of manufacturing and operations will create significant opportunities for regional vendors. India is currently working on its AMCA

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project. The aircraft's first flight is expected during 2025-26, while the full production may occur by 2030. HAL is developing a new 13-ton-class helicopter, the Indian Multi-role Helicopter for the Indian Armed Forces. The indigenous medium-lift helicopter may replace all imports in the class for the armed forces. Considering the scale of investments needed, this program may be the largest helicopter design attempted by India so far.

On the other hand, the Tejas Mk 2, a further development of the HAL Tejas, is expected to be in 2023, with series production to begin by 2026. The IAF is working on plans to continue the long-deferred requirement for 114 Medium Multi-role Combat Aircraft (MMRCA) 2.0 deal, worth an estimated USD 18-20 billion. The IAF is also focusing on developing its air defense capabilities and has invested in the development of related capabilities by procuring both indigenous and foreign-made systems. Some of the notable ongoing programs include Akash SAM, S-400, and IAI MRSAM. Such programs are expected to drive the segment's growth during the forecast period.

'Make in India' Initiative Promoting Indigenous Manufacturing Capabilities in India

The Indian Department of Defense is taking many initiatives to promote Make in India in the defense manufacturing sector. The defense budget for 2022-2023 announced that 68% of the defense capital procurement budget would be allocated toward procurement from the domestic industry. The Indian government has set the defense production target at USD 25 billion by 2025 (including USD 5 billion from exports by 2025). The Department of Defense Production (DDP) has established wide-ranging production facilities to produce various defense equipment through Defense Public Sector Undertakings (DPSUs) and Ordnance Factories. The products manufactured include heavy vehicles, arms and ammunition, tanks, armored vehicles, helicopters, fighter aircraft, warships, submarines, missiles, electronic equipment, earth moving equipment, special alloys, and special purpose steels. The IAF aims to obtain self-sufficiency by promoting Make in India through focused, sustained, and evolved indigenization programs. It is currently focusing on reducing the dependency on importing defense equipment. It inducted light combat aircraft, Akash Missile, and advanced light helicopters (ALH) in the recent past. It also plans to induct more capable and potent LCA Mk-IA and Mk-2 variants in the future. It is also actively supporting DoD of LCH, RPAs, medium power radars, low-level tracking radars, and other systems and closely coordinating with DRDO to develop various types of state-of-the-art weapons. The manufacturing of Ka-226 T helicopters, close-in weapon systems, and single-engine fighter aircraft under the Strategic Partner model is also in line with the Make in India initiative. India is also working on the HAL Advanced Medium Combat Aircraft (AMCA) program to develop a fifth-generation fighter aircraft. The Aeronautical Development Agency (ADA) is responsible for designing the plane, and Hindustan Aeronautics Limited (HAL) is responsible for the assembly. The first flight is expected to be by 2025-26, and serial production may begin by 2030. The Indian Shipyards have also made considerable progress in implementing the Make in India Program. The Indigenous Aircraft Carrier (IAC) 1, constructed by the Cochin Shipyard Limited, is India's largest and most complex warship. As of January 2022, it was undergoing sea trials and will be called INS Vikrant once it enters service with the Indian Navy. Other vessels, including submarines, destroyers, frigates, fleet replenishment oilers, survey vessels, diving support vessels, diving support craft, and tugboats, are also undergoing construction in India. Such developments may lead to a growth in the indigenous development and manufacturing of various defense technologies in India in the near future.

India Defense Market Competitor Analysis

Hindustan Aeronautics Limited (HAL), Bharat Electronics Limited (BEL), Defense Research and Development Organisation (DRDO), Rostec, and Airbus SE are some of the major players in the Indian defense market. The Make in India initiative, launched by the Indian government, has propelled several partnerships between foreign and local manufacturers. Partnerships between companies, like Hinduja Group, Ashok Leyland, and Elbit Systems, for military vehicles, the Tata Motors tie-up with Bharat Forge and General Dynamics, the partnership between India and Russia for Frigates and AK-203 Assault Rifles, and Boeing's partnership with HAL and Mahindra for the production of F/A-18 Super Hornet fighters are some of the major partnerships in the recent past. India is also trying to develop its indigenous manufacturing capabilities and focusing on increasing the product range of the defense equipment that it can produce locally, thereby reducing its dependency on the import of defense equipment. Also, several

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public firms are developing new indigenous technologies, which are expected to enhance the market share of the local players during the forecast period.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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