

MAKE IN INDIA: DEFENCE AND AEROSPACE

RUNWAY TO A BILLION OPPORTUNITIES

Madrid, Spain – 6th July 2023

India's March Towards Amrit Kaal

Fastest Growing Large Economy

Your Investment Destination, Your Partner in Growth

Parameters

Economy

- 5th Largest economy (\$3.75Tn); jumped 6 positions
- Growth Rate 7.2% (FY22-23)

FDI

- Annual FDI doubled in last 8 years, \$35 Bn to \$92 Bn in a decade

Exports

- 500x rise in total exports; highest ever exports of \$760 Bn in 2022-23

Human Capital

- 2nd largest working population of 522 Mn with median age ~29 years

Rankings

↑ 79 places
Ease of Doing Business
Ranking 2020 #63
(since 2014)

↑ 41 Places
Global Innovation Index
2022 #40 (since 2015)

↑ 6 Places
World Competitiveness
Index 2022 #37
Sharpest Rise among all
Asian Economies since
2021

Doing Business in India: Reforms



Corporate Tax

Reduced from 34% to 25% to boost manufacturing; 15% for new units



Project Development Cells

29 Project Development Cells constituted across Central Ministries to facilitate investors



Compliance Reduction

>39,000 compliances reduced as of 30th May 2023



Labour Reforms

Merged 29 central labor laws into 4 codes providing flexibility in hiring and retrenchment.



Custom Bonded Warehouse

Import duty exempt on inputs and capital goods if final goods are earmarked for exports



Remissions of Duties and Taxes on Exported Products

Reimburses taxes & duties incurred by exporters

Defence Sector : An Overview



ARMED FORCES

- **2nd largest armed forces** defending 7,517 km coastline, 15,200 km land borders
- **1.3 Mn** active personnel



MILITARY MODERNIZATION

- **US\$ 19.87 Bn** for capital expenditure (2023-24),
- **57%** increase in capital outlay allocation from 2019-20.

FDI POLICY

74% Automatic Route; 100% Govt. Route



DEFENCE BUDGET

- **US\$ 55.65 Bn** (2023-24)



PRODUCTION

- **US\$ 11.7 Bn** (2021-22)
- Target – **US\$ 25 Bn** by 2025



EXPORTS

- **\$1.9 Bn** worth of exports (2022-23)
- Exports to **75+** countries
- Increase by **8 times**



OFFSETS

30% offset requirement for procurement of equipment in excess of **US\$ 307.69 Mn**

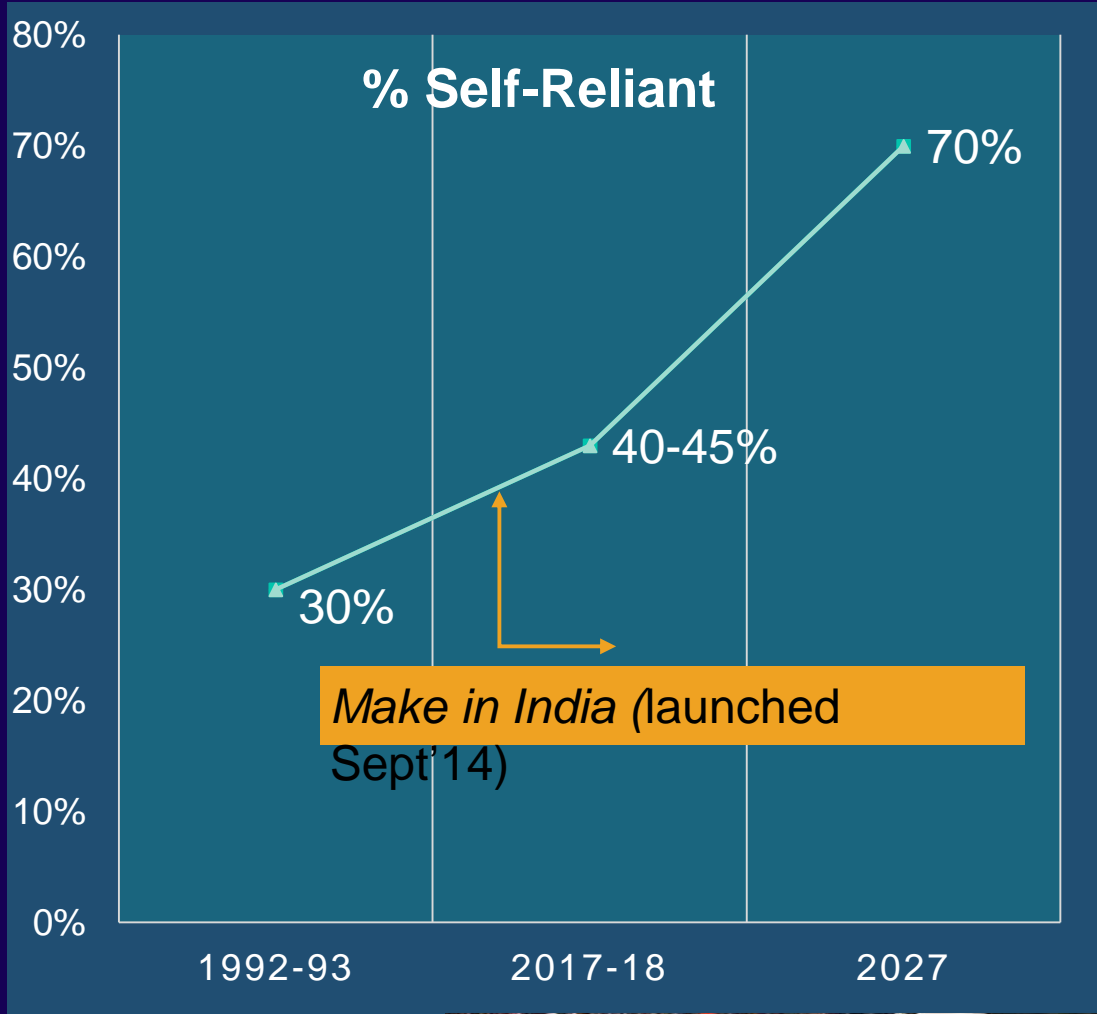


INDUSTRIAL LICENSING

- **Defence Product List** rationalised
- Validity extended from **3 to 15 years**



India's Self Reliance Index



- Increasing levels of self-reliance in Defence production
- **84%** of the total acquisition orders for FY 2022-23 of the Indian Army are with **Indian firms**

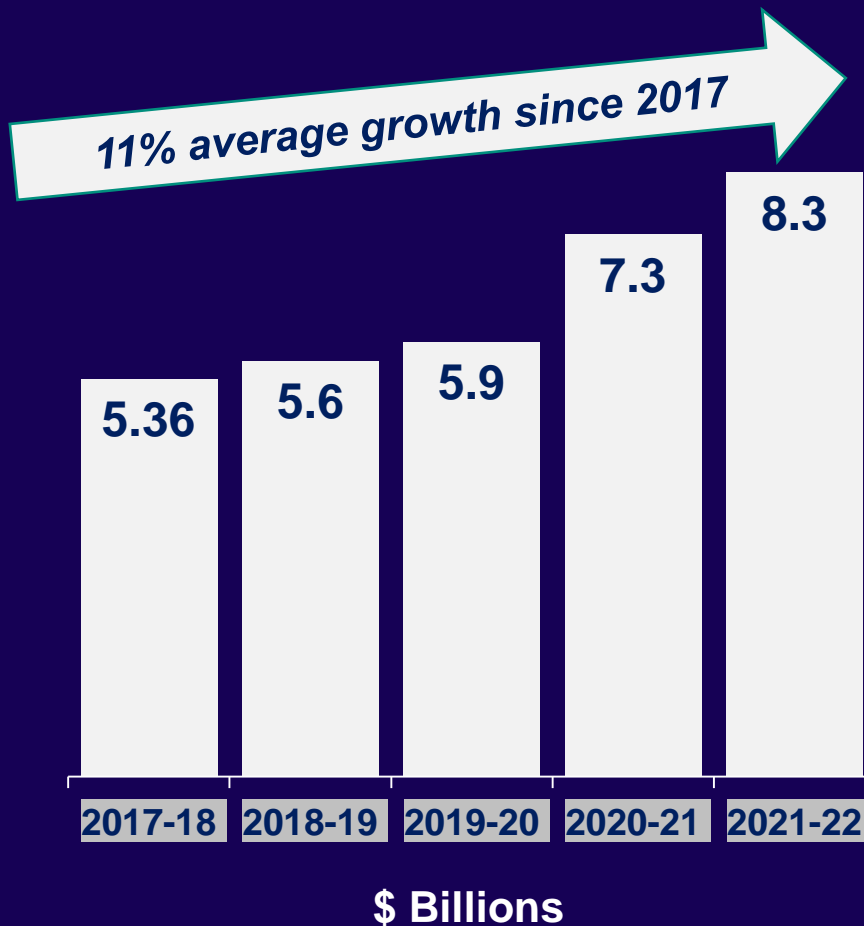
Under Atmanirbhar Bharat

- **411 Weapons & Equipment** and **4000+ Major LRUs/ Sub-system/ sub-assemblies** to be manufactured domestically.
- **18 Major platforms** announced for Design and Development under Make-I, Make-II, iDEX and SPV
- Under the Budget 2023-24, R&D budget has witnessed a **7.2% increase** since last year.
- **93% enhancement** in budget allocation for iDEX to foster innovation and Defence industrial ecosystem.



Progress Made by DPSUs

16 Defence Public Sector Undertakings **~\$8.3Bn** Value of production (2021-22)



Product Range

- Artillery guns, surface-to-air weapon systems, strategic weapons, launchers, torpedos, decoys and missiles
- Missile destroyers, stealth frigates and Scorpene submarines, warships, landing craft utility, warfare corvettes
- Avionics, weapons systems, electronic warfare and naval systems, radars, etc.
- Multi-role fighters, Hawk - advanced jet trainer, light combat aircraft (LCA), light transport aircraft, helicopters, etc.



Note: All figures converted from INR using 2022 exchange rate

Aerospace & Defence Manufacturing

Air Platforms

Fixed-Wing & Rotary Platforms



LCH

- HAL
- Light Combat Helicopter
- Service ceiling of 21,000 ft (deployed in Ladakh)
- Requirement of 160+ platforms (IAF, IA)



ALH DHRUV

- HAL
- In service with IAF, IA, IN
- 300+ produced
- Suited for high altitude operations
- Operated by Nepal, Mauritius, Maldives



LCA TEJAS

- HAL
- 4.5 Gen. Light Combat Aircraft
- 120+ order for IAF
- 60% indigenization (75.5% by no. of line replaceable units)



HTT-40

- HAL
- Basic trainer aircraft for Stage-1 IAF pilot training
- IAF to procure 106 HTT-40 aircrafts

Thrust on Private Sector Participation

599

Licenses issued

45

Joint ventures with
Foreign companies

\$2.43Bn

Value of production
(2021-22)

15 Yrs

Validity of Industrial
License Increased

14000+

Defence MSMEs

Product Range

- Electronic Warfare systems, Radars and avionics systems, communication systems
- Optical goods, navigational instruments, night vision devices
- Logistic vehicles
- Rocket launchers, sensors, simulators, Ammunition hardware, Mechanical Fuses
- Protection equipment, safety and ballistic products



Major Exports

Development of integrated systems, aero structures, spares & component exports



Components, Structures & Assemblies

- Sole producer for AH-64 Apache fuselages (**Tata-Boeing**)
- Delivered 100+ C-130J Super Hercules Empennage (**Tata-Lockheed**)
- Aft Pylon Assembly and Cargo Ramp Assembly for Boeing Chinook CH-47F (**Dynamatic**)
- Shipset of Single Aisle Flap-Track-Beam Assemblies for Airbus A318, A319, A320 & A321 (**Dynamatic**)
- Major Airframe Assemblies for Bell 407 choppers (**Dynamatic**)

Aerostructures



HAL

- Airbus A320 Forward Passenger Doors
- Boeing 777 Uplock Box Assembly
- Boeing 737 Freighter Conversion Kits
- Boeing F/A 18 Gun Bay Door
- Boeing P-8 I Weapon Doors & Tailcone
- Eurocopter Ecureuil composites



Startup Ecosystem

190 Contracts Extended

Budgetary Support of USD **61M (2025-26)**
Additional support of USD **14M** given in 2023 budget



Innovations for Defence Excellence:

- Fostering innovation and development in the A&D Sector through funding of startups
- Grants worth USD 28 M sanctioned.

164 Technologies being indigenized

~USD 31M funds sanctioned



Technology Development Fund:

- Scheme for funding MSMEs & Startups to indigenize cutting-edge defence technologies
- 1906 experts and 5294 companies engaged
- Enhancement of funding under TDF up to Rs 50 crore per project from June

2022

Defence Industrial Corridors

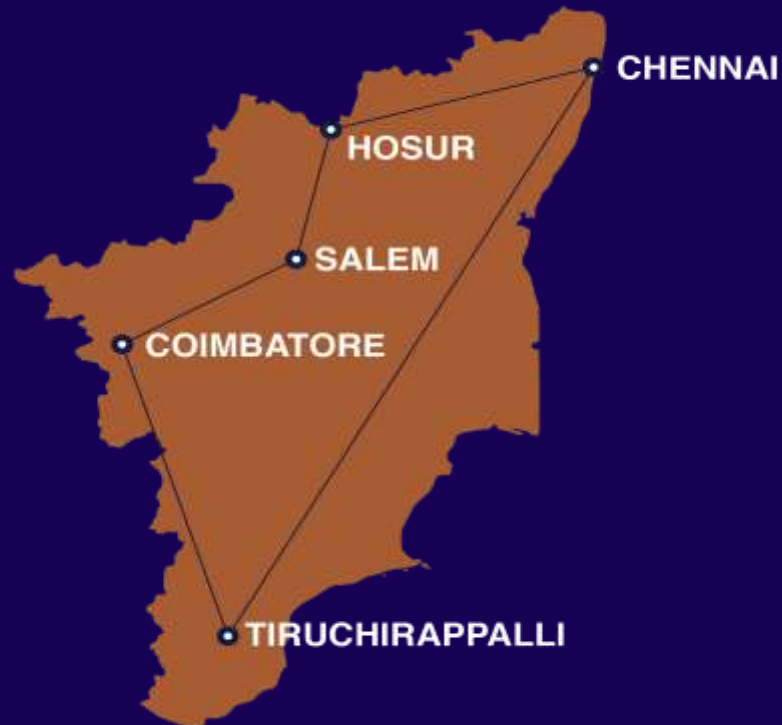
**CONDUCTIVE POLICY
ENVIRONMENT**

**ENABLING
INFRASTRUCTURE**

**EXISTING ECOSYSTEM
IN THE STATE**

Tamil Nadu Corridor

- 53 MoUs worth US\$1.46 Bn signed (2022)
- US\$477 Mn invested



Uttar Pradesh Corridor

- 107 MoUs worth US\$1.5 Bn signed (2022)
- US\$302 Mn invested



State – Level Incentives



Capital Subsidy

Incentives on capital expenditure such as plant & machinery



Environmental Infrastructure & Renewable Energy

Incentives given over and above to promote sustainability measures



Interest Subsidy

Reimbursement on interest paid for bank loans utilized for capital investment



Employment Subsidy

Incentives given to generate jobs via reimbursements and transfers



Power Subsidy

Rebate on power consumption; Exemption on electricity duty



Skill Development Subsidy

Reimbursement of cost involved in skill upgradation & training of workforce



Land Subsidy

Concession on Industrial land;
Reimbursement on stamp duty



Investment Subsidy

Reimbursement on state level goods and services taxes

Customized/Higher Incentives for Mega Investment/Anchor Units/Thrust Sector Units

Focus Areas

Aero Engine Complex

- Manufacturing of aero platform such as Light Combat Aircraft, Advance Light Helicopter , Light Combat Helicopter, Light Utility Helicopter and Dornier
- Establishing an Aero Engine Complex for civil and military applications

Maintenance, Repair & Overhaul

- Favourable tax regime
 - GST rate reduced from 18% to 5% with full input tax credit
 - MRO services provided to foreign recipient in India treated as export
- Convergence between Civil and Military MRO

Critical Technologies & Materials

- Co-development and Co-production
- Development of R&D strategies

Opportunities in the Defence Sector

1

Armed Forces Modernization

- Government to spend **US\$ 130 billion** for fleet modernization in the next 7-8 years
- Modernization drive covered under the **10-year Integrated Capability Development Plan**



2

Indian Army

- **Field Artillery Rationalization Plan - 1,580** towed guns, **100** tracked guns and **145** ultra-light howitzers required
- **Infantry modernization- 7.5 L** assault rifles, **3.65 L**, close quarter battle carbine, and **40,000** light machine guns required.
- **Future Infantry Soldier as a System (F-INSAS)** to transform the Indian soldier into a 'next-gen self-contained fighting machine'.
- **Future Ready Combat Vehicle Program** – requirement of ~**1700** modern tank platforms under strategic partnership.
- Requirement of **350** light weight, mobile, tactical platform (**Light Tanks**) for high altitude and marginal terrain.

Opportunities in the Defence Sector

3

Indian Airforce

- **Multi-Role Fighter Aircraft Acquisition - 110** aircrafts required under Make in India initiative.
- **Light Utility Helicopter** acquisitions for the Indian Army and Air Force.
- **108** Basic Trainer Aircrafts required (Stage-1 training for IAF)



Indian Airforce

- **Light Combat Aircraft (LCA) Acquisition: 6** Squadrons of LCA Mk2 for IAF
- **Light Combat Helicopters (LCH) Acquisition** - Limited Series Production (LSP) of **15** LCH (10 for IAF & 5 for Indian Army).
- **Advanced Medium Combat Aircraft Acquisition (AMCA)**- over **100** aircrafts required.

Opportunities in the Defence Sector

4

Indian Navy

Indian Naval Indigenization Plan (2015-2030):

- Construction of warships and submarines at Indian shipyards.
- Indigenous Aircraft Carrier - 02
- **Project 75(I): 6** Advanced Conventional Submarines with Air Independent Propulsion (AIP).
- Precision Guidance Munition
- Unmanned Underwater Platform
- 60 Utility Helicopters (Medium) Acquisition
- 45 Twin Engine Deck Based Fighter Acquisition
- Tri Service requirement of MALE RPAs
- 12,480 Sonobuoys required every year
- MLU of MIG 29K
- Sustainability of Seaking Helicopter

5

Revamp Opportunities

- Identification and risk mitigation for parts, spares and equipment.
- Focus on skilling people, software for service extension etc.



ONE-STOP SHOP FOR INVESTORS

GOVERNMENT

Centre / States

Foreign Missions / Agencies



INVEST INDIA
NATIONAL INVESTMENT PROMOTION
& FACILITATION AGENCY

INDUSTRY

Associations / Corporates

Professional Advisors /
Academia

Awareness &
Engagement

Business Advisory

Strategy &
Implementation

Investor Aftercare

Long term
partnership

Opportunity
Assessment

Partner / Location
Search
Market Strategy

Regulatory
Clearances
Policy Guidance

Issue Redressal

Continuous
Engagements



World Association of
Investment Promotion
Agencies

President, 2021



2016, 2017, 2018, 2019



UNITED NATIONS
UNCTAD

2016, 2018, 2020



2018, 2019, 2020



2016

INVEST INDIA: END-TO-END FACILITATION

PRE-INVESTMENT STAGE

FDI policy advisory

Policy / Regulatory advisory

Location assessment

Industry Opportunity
Assessment

Subsidy / Incentive advisory

INVESTMENT EXECUTION

JV and Strategic Partner Search

Land/Site identification

License/Compliance advisory

Corporate and Industry
Introductions

Entry route procedure advisory

AFTERCARE SERVICES

Policy Impact analysis

Grievance support

Support for delays in approvals and
company incorporation

Advisory support for expansion

Safran Group | France | Defence & Aerospace|Greenfield

Manufacturing Facility; Actual USD 250 Mn (INR 1,873 Crores); 660 jobs

Project Summary Details

- Indicative Investment: USD 250 Mn by 2025
- Actual Investment: USD 21 Mn
- Indicative Employment: 660
- Actual Employment: 250

Project Description

Invest India is working with Safran Group across 4 projects:

Project 1 (executed):

- SEP Electrical Harness manufacturing facility in Hyderabad, Telangana (Phase 1 Investment: \$10 M)

Project 2 (executed):

- SAE facility to produce rotating seals that will be used in the new generation of LEAP aircraft engines (Investment: \$41 M)

Project 3 (planning):

- Safran MRO project for LEAP aircraft engines is currently being planned (Investment: \$ 150 M)

Project 4 (planning):

- Safran is evaluating setting up of a facility to produce engine components in India for commercial and military helicopters (Investment: \$51 M)

Support Provided:

Business Advisory/ Facilitation:

- Provided advisory on the industrial license process and offsets
- Worked with the Telangana state government for incentives that Safran will receive for the project
- Facilitated participation of CEO Safran in a roundtable chaired by Raksha Mantri to discuss offsets and the A & D roadmap
- Expediting the approval for the 'Incorporation Certificate' for registering the company for the Safran MRO project.

- **Site Visits:** Invest India conducted site visits to Goa, Karnataka, Gujarat, Maharashtra & Telangana

- **Customized India opportunity pitch report created** including -Market entry opportunities, supply chain & logistics, competition matrix, and location assessment

- **Customs duty advisory:** Clarifications on import and export duty for products such as coaxial cables

- **Regulatory (FDI and offset) clarifications**

Outcome

SEP Project (Sep' 17-Mar' 18):

- 'Mega Project' status extended by Telangana government
- Offsets Clarification received from MoD
- Industrial License clarification received from MoD & DPIIT
- Skilling incentives secured from Gujarat and Telangana
- Safran announced the opening of their factory during the visit of the French President to India

SAE Project (Dec' 18 -Mar' 19):

- IL clarification from DPIIT & MoD
- Offsets clarification from MoD
- Confirmation of incentives from Telangana State Govt.

*Hyderabad has become the Asia-Pacific hub for Safran 19

**New India: The Makers (GKN Fokker
Elmo) - YouTube**

THANK YOU

Contact Details :

Defence.aero@Investindia.org.in

westerneurope@investindia.org.in