

## Roadmap to Position India as a Defence Manufacturing Hub



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Indian aerospace and defence industry is at an inflexion point and is poised for robust growth. Even though the defence sector was opened to the private sector only a few years ago, rapid strides have been made in indigenous manufacturing and absorption of technology. Indian companies have developed a wide range of design capabilities also.

Defence budgets worldwide are shrinking, forcing global aerospace and defence majors to review their strategies to be more cost competitive. Further, big ticket defence purchases by India are on the cards. To accommodate shrinking defence budgets and to win contracts in India, global majors are now increasingly looking for much more cost competitive but credible options. This is where defence manufacturing in India comes into the picture. And this is where partnerships of global majors with competent Indian industry players become extremely important.

Today, India has the dubious distinction of being the largest defence equipment importer in the world. To rectify this situation, Government has initiated a policy shift towards 'Make in India'—a strategic initiative that will help in creating an indigenous production base for the defence and aerospace industry in India. This is critical to our nation's sovereignty.

Similarly, several other measures like the strategic partnership policy, streamlined licensing requirement, resolving the FERV (Foreign Exchange Rate Variation) etc. have been announced by the Government so that private sector is involved in high technology programmes

in the defence sector. This is indeed a transformational step in the Indian defence sector.

It may be noted that India has already matured in several manufacturing and services sectors. We have become a global hub for IT related services including design & engineering services, automotive & auto component manufacturing, production of generic drugs etc. Given the strong competitive advantage of India, there is no doubt that India can be a strong production base for defence production in the coming future.

There are two reasons that the Indian defence manufacturers may focus on meeting our own defence equipment demand before trying to address export requirements.

Firstly, any major export would require credibility to be established in the market. This would be easier if Indian Armed forces are already using equipment produced indigenously by Indian companies.

Secondly, we are all cognizant of the fact that defence and aerospace industry is currently slowing down due to major cuts in defence budgets across the globe perhaps with the exception of South and West Asia. If one looks at the established defence aircraft manufacturers, many of their plants are functioning below capacity. There are also few new programmes for manufacturing fighter aircrafts and helicopters globally. Thus, it will be opportune for the Indian private industry to develop capability while addressing Indian defence needs and thereafter target the global market.

## FOCUS OF THE MONTH

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Having looked at the policy canvas, it is evident that the Indian private sector is at the threshold of rapid growth. What should be the roadmap in short-mid-long-term perspective to reduce imports & scale up exports and position India as the defence manufacturing hub?

In the short-term, we have to bear in mind that while the Government has a mandate to safeguard the country against the threat of war/aggression on one, two or even two and a half fronts, it needs to be balanced against competing demands from other sectors of the economy—health, education, road, etc. Also, it is fair to say that the Indian private industry is at an early stage due to limited participation in defence production in the past.

The above two factors necessitate an immediate focus on upgrading of existing combat platforms indigenously. This will enhance the operational life of the in-service equipment and allow the Government to prioritize the procurements in years to come. Such a strategy will also allow the companies to build and demonstrate their capabilities in a phase-wise manner.

One such example is the ongoing project of the BMP 2 Infantry Combat Vehicle upgradation. It should be noted that this is for the first time, that Indian private sector companies are in the fray to indigenously design, develop and upgrade an existing platform. The early implementation of this upgradation project will have a multiplier effect and will also be an eye opener for India's capability.

In the next phase, when the budgetary outlay for new projects are increased in the medium-term, focus should be on products which have been proactively designed and developed by Indian defence manufacturers and

which meet the requirements of the defence forces. Such a strategy will ensure that the lead time taken to design and develop a prototype for new products can be significantly reduced. Armoured Light Specialist Vehicle (ALSV) project, which is already in the trial phase of the Army, is one such project in the medium-term. This vehicle with some modifications can be adapted for other roles and projects.

Another area which can be looked at is Radars and Defence electronics where there are requirements in the medium-term. The Indian private sector players have already demonstrated capabilities in this field. This capability needs to be further enhanced and supported by the Government. Small arms manufacturing is another area ripe for focus in the medium-term. Many Make II programmes will ideally suit medium-term objectives.

In the long-term, the focus should be on making India a hub for Defence & Aerospace manufacturing. Again Indian companies have demonstrated proactive capability building in the Aerospace Industry. Some companies have large state-of-the-art aero-structures manufacturing plants. Such plants are supplying to major global Original Equipment Manufactures (OEMs) like Airbus, Boeing, SAAB etc. With the strategic partnership model having been announced, it is only logical that helicopters and fighter aircrafts start getting manufactured in India. Assembly and production of guns is another potential area.

With such a Make in India roadmap, one can be sure that India will be transformed into a Defence and Aerospace manufacturing hub catering not only to our needs but exporting large and potent platforms globally. Both the Indian private sector and our Government are earnestly committed together in achieving this goal.