

Private sector may get Rs 60,000 crore defence contracts in 2024-2025

GYANENDRA KESHRI
NEW DELHI, DHNS

Private sector firms are likely to get defence contracts worth Rs 60,000 crore in the financial year 2024-2025, which will be around 22% of the overall size of the industry, a private research report showed.

According to a report by ICRA, defence production by private companies is estimated to register compound annual growth of around 20% in the next three years to reach Rs. 34,000 crore by FY2026.

In order to reduce dependence on imports of defence equipment, the government has introduced a number of measures to promote private investments in the sector.

“While the land and information & communications technology (ICT)-based segments are expected to witness increased private sector participation, the Defence public sector undertakings would continue their dominance in the naval, aerospace and armaments segments,” said Ashish Modani, Vice President and Co Group Head, ICRA.

Despite a healthy 20% projected annual growth in defence production by the pri-

private sector over the next three years, the government is likely to fall short of the Rs 1.75 lakh crore annual defence production target by FY2025. It is estimated to reach Rs 1.6 lakh crore by FY2026.

The initiatives taken by the government include allowing 74% foreign direct investment (FDI) in the sector through automatic route. It will encourage foreign original equipment manufacturer to set up manufacturing facilities in India.

The other initiatives include establishment of two Defence industrial corridors, one each in Uttar Pradesh and Tamil Nadu; launch of the indigenisation portal (SRIJAN), enabling all stakeholders and private vendors to interact with each other and the Indian vendors to identify the items which are within their capabilities, thus reducing the need for import.

The policy initiatives have led to reduction in procurement from foreign vendors to 32% in FY2023 from 61% in FY2008. India defence exports jumped to Rs 15,920 crore in FY 2022-23 from a low Rs 1,521 crore in FY 2016-17, registering an average annual growth of 48%, Modani said.