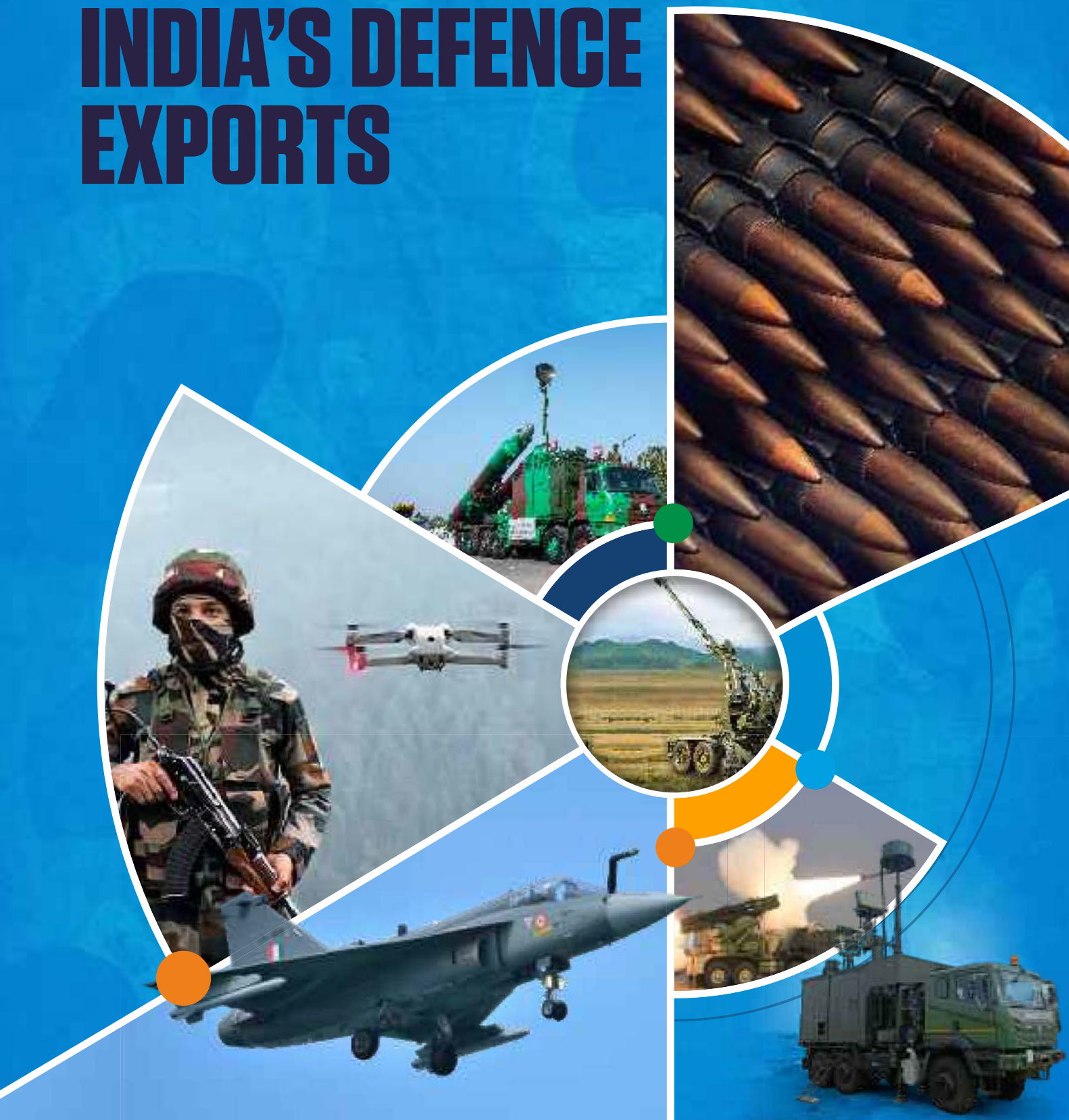
SIDM

SOCIETY OF INDIAN DEFENCE MANUFACTURERS

THE ASIA GROUP

SIDM - TAG REPORT ON

MAPPING OPPORTUNITIES IN INDIA'S DEFENCE EXPORTS



FOREWORD BY PRESIDENT SIDM

Mr Rajinder Singh Bhatia

India stands at a critical juncture in its defence manufacturing journey. The strategic vision for 2025 as the 'Year of Reforms' reflects a national ambition realized through the transformation of our defence ecosystem. We have evolved from import dependency into a nation supplying high-quality, reliable defence equipment to over 100 countries worldwide. Recently, India embarked on an ambitious journey toward self-reliance via landmark initiatives like the "Make in India" campaign and strategic reforms strengthening indigenous manufacturing.

This document, a collaboration between SIDM and The Asia Group (TAG), embodies our belief in this opportunity. It offers a clear-eyed assessment of the landscape and a roadmap to accelerate India's defence exports.

India's domestic defence production exceeded INR 1.5 lakh crore in FY 2024-25, with exports reaching INR 23,622 crore-an exponential 34-fold rise since 2013-14. This progress, powered by visionary reforms such as Atmanirbhar Bharat, Make in India, Positive Indigenisation Lists, and the iDEX scheme, has seen the private sector contribute around 60% of exports. Products like the BrahMos missile and Akash system exemplify Indian quality and reliability globally.

While these successes are celebrated, much potential remains. This report unveils the critical pathways to unlock it.

The knowledge report on "Mapping Opportunities in Indian Defense Exports" strategically examines India's expanding role, focusing on opportunity identification, market engagement, and global partnership strengthening, charting a clear path for export growth.

It provides concrete recommendations-from strategic market focus and anchor clients, to reciprocal supply chains, regional presence, and global standards.

A key highlight is India's Defence Line of Credit (DLoC) program, a vital tool advancing defence cooperation by extending concessional financial aid, facilitating procurement of Indian products, strengthening bilateral ties and opening new collaboration avenues. DLoC expands India's global footprint while promoting indigenous capabilities.

For all members-from leading corporations to MSMEs and startups-this is a call to think bigger, act bolder, invest in R&D, forge global ties, and build trusted service ecosystems.

The ambitious 2029 targets are a national project. SIDM commits to working closely with the Government and international partners to realize this vision. Let this era be defined by bold action, strategic foresight, and unity of purpose.

Together, let us seize this moment to position India not just as a rising power, but as a trusted, leading defence partner for a secure world.

MAPPING OPPORTUNITIES IN INDIA'S DEFENCE EXPORTS

Amid a resurgence of armed conflicts and widespread disruptions in global logistics, countries are increasingly prioritizing the development of domestic defence capabilities and the establishment of resilient supply chains. In this shifting landscape, India has undergone a significant transformation- from being a net importer of defence equipment to emerging as a growing exporter, now reaching markets in over 100 countries. As part of its strategic vision, India has designated 2025 as the "Year of Reforms," setting ambitious targets of achieving INR 3 lakh crore in defence production and INR 50,000 crore in defence exports by 2029.

In this context, the Society of Indian Defence Manufacturers (SIDM) and The Asia Group (TAG) are partnering on a thought leadership series, aimed at offering ideas and suggestions for India to seize the moment. The following is the first piece of the series, focused on accelerating the growth of India's defence exports with certain recommendations.

I. Substantial Progress Already Achieved

- In FY 2024-25, India's domestic defence production reached a record high of INR 1,50,590 crore (approximately USD 17 billion). This figure represents an 18 percent increase compared to the previous year and a significant 90 percent surge since FY 2019-20.
- India has gone from 65-70 percent of its defence needs being met through imports to 65 percent of the defence equipment being manufactured domestically. Around 75 percent of India's defence production is aimed at meeting domestic consumption needs.
- The growth in defence production is in line with India's ambition to establish itself as a global defence manufacturing hub, with INR 3 lakh crore in defence production by 2029.
- Defence exports hit a record INR 23,622 crore in FY 2024-25, expanding 34 times since 2013-14. The country aims to achieve a target of INR 50,000 crore in defence exports by 2029.

II. Government of India has been instrumental in enabling this growth

- Atmanirbhar Bharat (Self-reliant India) and Make in India initiatives are key parts of the Government of India's defence industrial push. To this end, the government has launched several measures, including "Positive Indigenisation Lists," the Srijan Indigenisation Portal, and the establishment of two defence corridors in Tamil Nadu and Uttar Pradesh.
- The Government of India has implemented a range of reforms, including liberalized FDI policy, the Innovations for Defence Excellence (iDEX) Scheme, the establishment of the Defence Investor Cell, rationalization of industrial licensing, and announced plans to set up a Defence Export Promotion Council (DEPC).
- The Union Budget of India supports this ambition, allocating INR 6.81 crore to the Ministry of Defence (MoD) for the Financial Year (FY) 2025-26, which is a 9.53 percent increase from FY 2024-25. A critical component of this allocation is directed towards the Defence Research and Development Organisation (DRDO). Tasked with conducting vital research for developing new technologies and assisting private entities through the Development cum Production Partner (DcPP) Program, the DRDO is allocated INR 26,816.82 crore for FY 2025-26, which is 12.41 percent higher than the budget estimates of 2024-25.

III. Overview of India's Defence Export Portfolio

- In 2025, India ranked among the top 25 largest arms-exporting nations in the world. The growth in defence exports is primarily driven by the private sector, which contributes 60 percent, while Defence Public Sector Undertakings (DPSUs) account for the remaining 40 percent.
- India's export portfolio includes a wide range of equipment, such as aircraft components, 155 mm artillery guns, Pinaka Multi-Barrel Rocket System, Akash Air Defence System, bulletproof jackets, Dornier (Do-228) aircraft, Chetak helicopters, fast interceptor boats, and lightweight torpedoes.

- The top three export destinations of India include the United States, France, and Armenia. The U.S. and France mainly import sub-systems, components, software, and electronic parts. In contrast, Armenia primarily imports larger finished platforms, such as Akash air defence missile systems, Pinaka multi-launch rocket systems, and 155mm artillery guns.
- Mapping of SIRPI Arms Transfer Database from 2000 to 2024 revealed that India delivers its major arms exports to countries in the Global South, like Myanmar, Sri Lanka, Mauritius, Seychelles, Armenia, etc. (Arms transfers to the U.S. and France are not accounted for by the SIRPI database due to the methodology, which does not account for sub-systems and components but only maps complete platforms.)
- This trend in India's defence export portfolio could stem from various factors including cost-competitiveness of Indian offerings (e.g. Indian 155 mm artillery ammunition costs around USD 300-400, significantly lower than European equivalents, which exceed USD 3,000), easier technological assimilation and operational compatibility, less stringent standards of export as opposed to NATO, and roll-out of long-term, low-interest loans.

IV. Opportunities

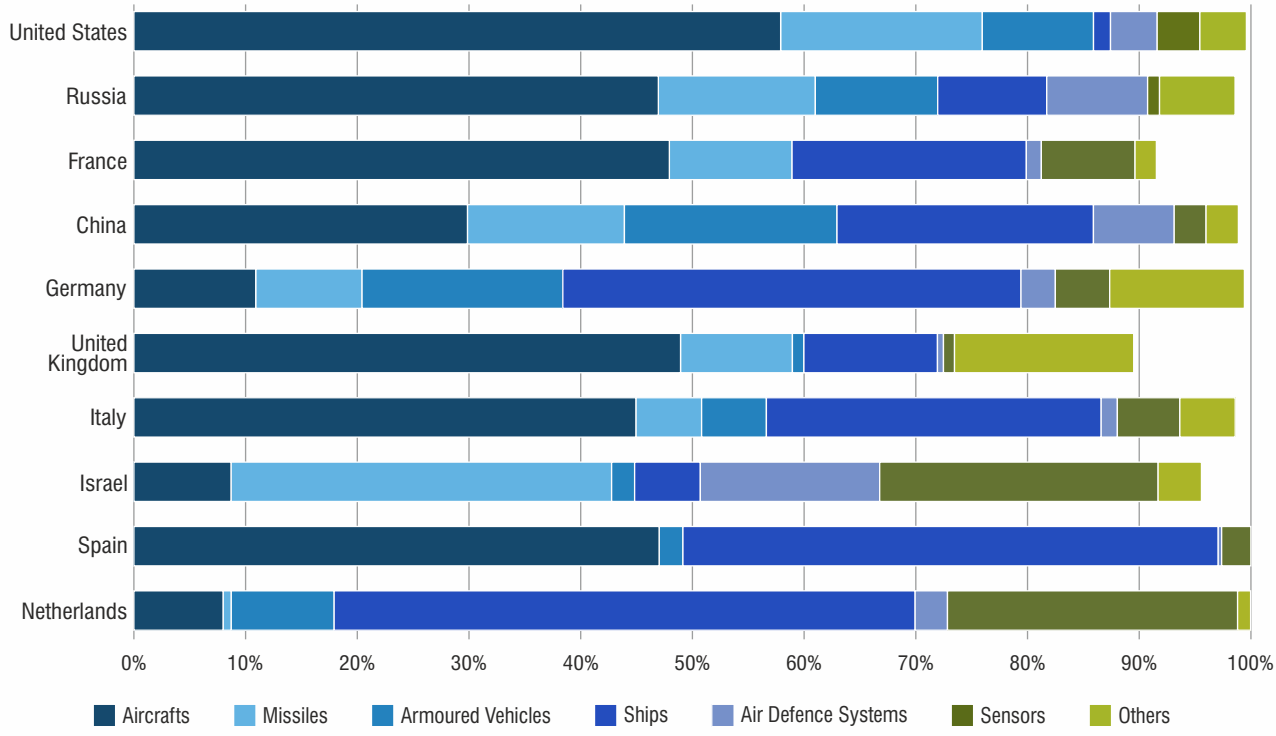
Certain trends are creating new and expanded opportunities for India's defence sector. These include:

- Conflicts have increased the demand for arms and strained existing supply chains.
- India is keen to expand its exports to multiple countries, removing over-dependence on any particular geography for exports, to mitigate any policy uncertainties or geopolitical upheavals.
- European nations are moving towards increased defence spending due to multiple factors. NATO's two percent guideline, agreed upon by NATO Defence Ministers in 2006, already encourages member states to commit at least two percent of their Gross Domestic Product (GDP) to defence spending.

- Desire for greater resilience in supply chains, including through self-reliance and by increasing linkages and sourcing from trusted partners.
- There are geopolitical hesitations in some countries in Southeast Asia, Sub-Saharan Africa, and Central Asia in switching from old Soviet platforms to an alternative from a Western country. Some countries, again for geopolitical reasons, may be wary of Chinese platforms. The Indian platforms could be an attractive alternative.

Mapping India's major defence exports against the major export categories of the top ten exporting countries in the world helps highlight the critical opportunities for India to harness. The following graphic, based on the SIPRI Arms Transfer Database, shows the major export categories of the world's top defence exporting countries.

Graph 1: Top Export Categories of Top Ten Exporting Countries in the World[1]



Source: SIPRI Arms Transfer Database

The graphic and further analysis of the data reveal that these countries are predominantly supplying a range of sophisticated military hardware, including combat aircraft, combat helicopters, major warships, surface-to-air missile (SAM) systems, tanks, other armoured vehicles, and artillery.

[1] *https://armstransfers.sipri.org/ArmsTransfer/ImportExportTop*

Effectively focusing on promising trends and navigating challenges could enable India to capitalize on opportunities, including those with the promising platforms listed in the following table. **The table is preliminary, to be finalised with the SIDM membership.**

Table 1: Examples of Promising Platforms for Defence Exports by India

Category		Examples of Promising Platforms
Aeronautical Systems[2]	*Aircraft*	1. Light Combat Aircraft (Tejas) 2. Advanced Light Helicopter (Dhruv) 3. Light Combat Helicopter (Prachand) 4. Multi-Purpose Light Transport Aircraft 5. Multi-Mission Single-Engine Light Utility Helicopter
Land Systems[3]	*Missile Systems*	1. Short Range Surface to Air Missile System (Akash Weapon System) 2. Supersonic Cruise Missile System (BrahMos Weapon System) 3. Air-to-Air Missiles 4. Anti-Tank Guided Missiles
	Tanks and Armoured Vehicles	1. Main Battle Tank (MBT) 2. Wheeled Armoured Platform 8x8 (WhAP) 3. Armoured Engineer Reconnaissance Vehicle (AERV) 4. Bridge Layer Tank (BLT) 5. Remotely Operated Vehicle (ROV)
	Artillery, Munitions	1. 155M/52 Cal Tracked Self-Propelled Gun K9 Vajra-T 2. Multi-Barrel Rockets and Launcher System (Pinaka) 3. Advanced Towed Artillery Gun System 4. Under Barrel Grenade Launcher
Naval Systems[4]	*Ships and Boats*	1. Offshore Patrol Vessel (OPV) 2. High Speed Patrol Boat 3. Fast Interceptor Boats 4. Inshore Patrol Vessel (IPV) 5. Missile Boat 6. Corvettes
	Torpedo	1. Lightweight Torpedo 2. Heavy Weight Torpedo 3. Torpedo Launchers
	Sensors	1. Air-Search Radar 2. Artillery Locating Radar 3. Maritime Patrol Aircraft Radar 4. Weapon Locating Radar 5. Coastal Radar System

[2] *https://defenceexim.gov.in/WriteReadData/AbovehorizonsIndustry.pdf*
[3] *https://defenceexim.gov.in/WriteReadData/modN.pdf, https://drdo.gov.in/drdo/sites/default/files/inline-files/DRDO-Product-for-Export-2021_web.pdf*
[4] *https://defenceexim.gov.in/WriteReadData/modN.pdf, https://drdo.gov.in/drdo/sites/default/files/inline-files/DRDO-Product-for-Export-2021_web.pdf*

Category		Examples of Promising Platforms
Miscellaneous		1. Personal Protective Equipment- Bullet Proof Jacket (BPJ), helmets, and other protective gear 2. Brass Cartridge Cases, Tubes, Cups, and Strips 3. Fuses and Empty Shells 4. Brake Parachutes for Aircraft 5. High-performance titanium, superalloys, and armour materials 6. High-strength steel and tool steels 7. Encryption solution 8. AI-enabled voice analysis software (AIVAS)

V. Recommendations

Market Identification

Indian defence companies are a relatively new entry to an established global defence market. They should identify geographies and countries, for example, that cannot afford expensive Western systems or are unable to purchase from certain nations due to political constraints. They can leverage India's lower manufacturing costs to supply high-quality products, supported by excellent local after-sales service.

Secure Anchor Client

There is a need to secure an anchor country in the target geography. This may have to be executed by offering highly competitive costs. An anchor client builds credibility and enhances brand reputation. At the same time, in the developed countries, aim to become Tier-I vendors to the larger defence companies and gradually move up the value chain, while meeting global standards in quality, scale, timelines, and pricing.

Developing Reciprocal Supply Chains

There are many countries where our defence needs are complementary wherein both countries make defence articles that the other country requires. For example, in Brazil, they may require affordable combat jets while India requires transport aircraft - making a case for the export of LCA Tejas while procuring Embraer's C-390 Millennium military transport aircraft. The reciprocity is true for many components and countries. Such arrangements could be explored at both the G2G and B2B levels.

Physical Presence

The Indian defence companies could consider setting up offices in key locations for export promotion. For example, the DPSUs could set up one combined office while the private defence majors could set up a combined office, subject to a non-compete clause for that geography. Some of the locations where these offices would be useful are Cairo (Egypt), Pretoria (South Africa), Algiers (Algeria), Addis Ababa (Ethiopia) and Lagos (Nigeria) in Africa; Sao Paulo or Rio de Janeiro (Brazil), Georgetown (Guyana), Lima (Peru), Buenos Aires (Argentina), and Santiago (Chile) in Latin America; Almaty or Astana (Kazakhstan) in Central Asia; Berlin or Munich (Germany) in Western Europe; Warsaw (Poland) in Eastern Europe; and Manila (Philippines) and Singapore in South East Asia.

Deep Selection of Channel Partners

The identification and engagement with reputed channel partners is crucial. Due to constraints of distance and language, often the channel partners are selected on the basis of their familiarity with the Indian community, which may not be the best fit. There may be a need to spend more time in the selection of appropriate channel partners who add value and are well-networked in the foreign system.

Engagement of DLoC Countries

The Government of India has announced the Defence Line of Credit (DLoC) to many countries. The company representatives and the channel partners should engage the DLoC countries with various product offers and services, as credit from India is already available to procure defence articles.

Meet Registration Requirements

There could be a conscious effort among Indian companies towards registering with the Ministry of Defence of various countries, as some governments provide tender access only to the registered vendors. For example, in Chile, companies typically need to register with the specific branches of the Chilean Armed Forces to do business. Each branch has its own registration process, often involving a Special Registry for Suppliers.

Ensure E-Procurement Visibility

E-Procurement, particularly for smaller orders in materials and components, is becoming the norm in many countries, somewhat akin to India's GeM (Government E Marketplace) portal. Some tenders may therefore be accessible only through the e-procurement system. This requires being persistently present on their e-procurement website.

Conclude the Reciprocal Procurement Agreement with the U.S.

U.S. is the biggest defence market with a defence budget of over USD 850 billion. The Indian companies could advocate for the early conclusion of the Reciprocal Defence Agreement (RDP) by India with the U.S. The RDP Agreement is required to allow access to Indian companies to the U.S. Department of Defence tenders and become a part of the U.S. supply chains. Currently, the U.S. Defence Federal Acquisition Regulation Supplement (DFARS) mandates that defence items, including materials and components, come only from U.S. companies or Qualifying Countries.

The RDP Agreement shall accord India the status of a Qualifying Country, allowing access and enabling Indian defence manufacturers to compete on equal footing with U.S. suppliers and foreign companies. It shall also open doors for Indian companies to be a part of the broader NATO procurements.

Indian pharmaceutical companies supply 47 percent of all generic prescriptions in the U.S., significantly bringing down the healthcare costs in the U.S. The Indian defence companies could do the same in aerospace components, thereby making U.S. defence articles price competitive, besides being part of U.S. supply chains.

Aim for Global Standards

There could be an effort to understand the defence standardisation of other countries and make compatible products. This would help in market access and quality control. The standards to consider are

the U.S.'s MIL-STD, short for Military Standard, a set of standards developed by the U.S. Department of Defense to ensure the quality, reliability, and performance of equipment, materials, and systems used by the military. Compatibility with MIL-STDs ensures that equipment from different sources can be integrated seamlessly. Other relevant standards are the Russian GOST or Gosudarstvennyy standard, which is in use by Russia and other CIS countries, and the German DIN or "Deutsche Industrie Norm," meaning German Industrial Standard.

Develop Indian Standards

Many export-aligned Indian defence manufacturers are currently adopting international standards like DO-254, also known as Design Assurance Guidance for Airborne Electronic Hardware, developed by Radio Technical Commission for Aeronautics (RTCA) for electronic hardware in avionics. Other standards like ISO 9001 (Quality Management) and ISO 26262 (Functional safety of electrical/electronic systems) are also being incorporated. While the priority remains the compatibility with global standards, SIDM could consider working with the Bureau of Indian Standards (BIS) to develop unique, globally compatible, Indian defence standards.

Global Partnerships and Technology Access

Indian companies could aim for global partnerships to pursue joint development and technology transfer agreements with foreign Original Equipment Manufacturers (OEMs) in high-technology sectors. These products can be subsequently exported. The joint missile project, BrahMos, with Russia, is a good example. Similarly, the TASL - Airbus collaboration on the C-295 aircraft project is likely to infuse significant technology and skills in the Indian defence industry.

Establish Regional Service & Maintenance Hubs

To set up regional hubs in key countries to provide after-sales service, maintenance, and upgrades for the equipment supplied. This provides inputs on local orders, builds customer trust, and strengthens long-term defence relationships.

Set up Export-Oriented Units

Underpinned by expanded defence budgets, as Europe looks to increase defence capacities, many European countries are looking to outsource munition production to enable scaling up and supply chain resilience. In particular, explosives, artillery, small arms ammunition, and loitering munitions are in high demand. There have been recent examples of a few German companies announcing a tie-up with Indian companies to procure munitions on a long-term basis. Indian companies can set up munition-producing units, which shall be primarily focused on exports. These could be based on agreements with these European countries to supply a minimum quantity every year.

Invest in R&D

The companies should set aside a certain percentage of their revenues for R&D. This shall build internal capacity, increase patents, leading to reduced dependency on foreign partners, and enable future readiness in a highly technology-intensive sector. Infuse technologies like AI, quantum communication, and GPS-denied navigation in relevant defence products. AI compatibility, in particular, should be a standard feature.

Awareness Campaign for Startups and MSMEs

SIDM, with a few Knowledge Partners, could conduct an awareness campaign for start-ups and MSMEs to brief them on the Defence Acquisition Procedure (DAP) and the various licenses required to start a defence business in India. Handouts on the procedure to obtain Export Clearances from the DDP portal could also be provided. (A brief on the industrial license and PESO license requirements is attached in Annex B.)

ANNEX. A

Region	Potential Markets	Defence Budget	Top Imports (2020-2025)	Import Origins	Regional Tensions	Remarks
Africa	*Algeria*	USD 25.1 billion	• Anti-tank missile • Surface-to-Air Missile System • Anti-ship missile • Armed Unmanned Aerial Vehicle	1. Russia 2. China 3. Germany 4. United States 5. Italy	• Military coups in Mali, Niger, and Burkina Faso. • Resurgence of Islamist militant movements. • Dispute with Morocco over Western Sahara	
	Morocco	USD 13.4 billion	• Air- to-surface missile • Guided Rocket • Surface-to-Air Missile System • Combat Helicopter	1. United States 2. France 3. Israel 4. Turkiye 5. Germany	• Dispute with Algeria over Western Sahara	
	Egypt	USD 5.9 billion	• Surface-to-Air Missile System • Patrol Boat • Anti-submarine Torpedo • Long-range Air-to-Air Missile	1. Germany 2. Italy 3. France 4. Russia 5. United States	• Terrorism in the Sinai Peninsula • Tensions between Egypt and Ethiopia • Maritime security concerns in the Suez Canal	

Region	Potential Markets	Defence Budget	Top Imports (2020-2025)	Import Origins	Regional Tensions	Remarks
	Nigeria	USD 3.1 billion	• Armored Personnel Carrier • Infantry Fighting Vehicle • Air-to-Surface Missile	1. China 2. Turkiye 3. Brazil 4. Pakistan 5. Netherlands	• Boko Haram insurgency • Militancy in the Niger Delta • Separatist Biafra agitation in the Igbo southeast	In December 2023, Hindustan Aeronautics Ltd (HAL) confirmed ongoing discussions with Nigeria about the Tejas Light Combat Aircraft (LCA). In December 2024, India extended a $200 million credit line to Nigeria.
Middle East	*Saudi Arabia*	USD 78 billion	• Surface-to-Air Missile System • Long-range Air-to-Air Missile • Guided Shell • Anti-ballistic Missile	1. United States 2. Spain 3. France 4. Canada 5. United Kingdom	• Houthis' repeated escalation in the Red Sea • Instability in relations with Iran and Yemen	In February 2024, at the World Defence Show in Riyadh, Munitions India Limited signed a contract worth 225 million USD for the supply of Artillery ammunition to the Kingdom of Saudi Arabia through its partner, Nadrah Company.
	United Arab Emirates	USD 25 billion	• Anti-tank Missile • Air-to-Surface Missile • Armored Personnel Carrier • Long-range Air-to-Air Missile	1. United States 2. France 3. Turkiye 4. South Korea 5. Sweden	• Houthis' repeated escalation in the Red Sea • Tensions with Sudan and Egypt • Concern over Iran's regional aggression	In February 2023, during the International Defence Exhibition and Conference (IDEX) held in Abu Dhabi, India's HAL and the UAE's defence firm EDGE signed an MoU to explore the joint design and development of missile systems and UAVs.

Region	Potential Markets	Defence Budget	Top Imports (2020-2025)	Import Origins	Regional Tensions	Remarks
						April 2025- India offered the UAE the indigenous Akash air defense missile system.
	Qatar	USD 15.5 billion	• Anti-Radar Missile • Aircraft electro-optical System • Combat Aircraft Radar • Combat Aircraft	1. United States 2. Italy 3. United Kingdom 4. France 5. Turkiye	• Past diplomatic and economic blockade in the Gulf • Iranian airstrikes on US bases in Qatar	
Southeast Asia	*Indonesia*	USD 10.6 billion	• Transport Helicopter • Turbofan • Fighter/Ground Attack Aircraft • Anti-search Radar	1. United States 2. France 3. South Korea 4. Germany 5. United Kingdom	• Maritime claims and incursions by China in the South China Sea • Internal clashes in West Papua	January 2025- India finalized a deal to export BrahMos missiles worth approximately Rs 3,800 crore (USD 450 million) to Indonesia.
	Philippines	USD 4.65 billion	• Anti-Submarine Torpedo • Patrol Ship • Air-to-Surface/Surface-to-Surface Missile	1. South Korea 2. Israel 3. United States 4. Turkiye 5. Germany	• Maritime claims and incursions by China in the South China Sea • Communist Insurgency • Mindanao Separatist Movement	January 2022- India and the Philippines concluded a $375-million deal for three batteries of shore-based, anti-ship variant of the BrahMos, becoming the first export customer for the joint venture missile between India and Russia (a joint venture between the Defence Research and Development Organisation (DRDO) and the Russian Federation's NPO Mashinostroyeniya)

Region	Potential Markets	Defence Budget	Top Imports (2020-2025)	Import Origins	Regional Tensions	Remarks
						April 2024- India delivered the first batch of BrahMos supersonic cruise missiles to the Philippines. Showcased interest in procuring indigenously-developed Tejas Light Combat aircraft.
	Vietnam	USD 8.6 billion	• Combat Aircraft • Landing Ship • Turbofan • Trainer Aircraft • Patrol Ship	1. Russia 2. Netherlands 3. Belarus 4. United States 5. Czechia	• Maritime claims and incursions by China in the South China Sea	June 2022- India delivered 12 High Speed Guard Boats constructed by the Indian manufacturer Larsen & Toubro (L&T) under the Government of India's US$100 million Defence Line of Credit to Vietnam. July 2023- India handed over a fully operational missile corvette, INS Kirpan, to Vietnam after it was decommissioned from service. This is the first time India has ever gifted an active warship to another country. India has supplied spare parts for the Vietnamese Navy's Russian-origin Petya class warships and OSA-II class missile boats.

Region	Potential Markets	Defence Budget	Top Imports (2020-2025)	Import Origins	Regional Tensions	Remarks
Latin America	*Brazil*	USD 23.7 billion	• Light Helicopter • Air-search Radar • Portable Surface-to-Air Missiles • Anti-tank Missile • Armoured Personnel Carrier	1. France 2. Sweden 3. Italy 4. United States 5. United Kingdom		June 2025- Brazil has expressed interest in India's defence capabilities, particularly in securing communication systems, offshore patrol vessels, the Akash Air Defence system, and the Garuda Artillery Gun.
	Argentina	USD 3.12 billion	• Patrol Ship • Long-range Air-to-Air missile • Light Transport Aircraft • Anti-Submarine Aircraft	1. France 2. United States 3. Norway 4. Denmark 5. Ireland	• Territorial Sovereignty in the South Atlantic Ocean • Ongoing dispute with the UK over the Falkland Islands	
	Chile	USD 1.84 billion	• Airborne Early-Warning Aircraft • Frigate • Surface-to-Air Missile • Guided Bomb	1. United Kingdom 2. Australia 3. Germany 4. United States 5. Brazil	• Unresolved Indigenous land conflict involving the Mapuche	

ANNEX. B

Background

In 2001, the Defence Sector was first opened to 100 percent Indian Private Sector participation, with Foreign Direct Investment (FDI) up to 26 percent, both subject to licensing. Manufacturing in the Defence Sector is regulated through Industrial Licensing under the Industries (Development and Regulation) Act of 1951, Arms Act of 1959, and Arms Rules of 2016.

Present Regulatory Environment

Under the IDR Act, 1951, Industrial Licenses are granted to applicants for the manufacture of items that are compulsorily licensable under the Industries (Development and Regulation) Act, 1951 (IDR Act) by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry.

Under the Arms Act, 1959, as per the delegation of powers by the Ministry of Home Affairs (MHA), DPIIT issues Industrial Licenses under the Arms Act, 1959, for the following:

- Arms and ammunition of caliber 12.7 mm and above
- Crew-fired weapons
- Allied items of defence equipment

The Ministry of Home Affairs (MHA) issues Industrial Licenses under the Arms Act, 1959, for the following:

- Arms and ammunition of caliber below 12.7 mm
- Other items as per the mandate under the Act

Eligibility

- Any Indian company, incorporated under the Indian Companies Act, 2013 (18 of 2013), Sole Proprietorship and Partnership companies are eligible for a Defence Industrial License under the IDR Act 1951 and Arms Act 1959.
- Foreign Direct Investment is allowed under the IDR Act, 1951, and the Arms Act, 1959. FDI is primarily governed by FDI Policy, the FEMA Act, the Companies Act, and other regulations issued by the RBI from time to time.

Validity

- The total period of validity of the Industrial license (IL) under the IDR Act of 1951 is 18 years (15 years + extendable by 3 years on the request of an applicant), within which the commercial production must commence. In case the commercial production has not commenced within this period, the license would be treated as automatically lapsed.
- " Licenses under the Arms Act 1959 are issued without a validity period, provided that the licensee is required to set up the facility for the manufacture or proof test of arms and/or ammunition and other activities related to setting up the facility within 7 years. This 7-year period may be extended by another 3 years on the basis of a written representation, subject to the provisions of the Arms Rules, 2016.

PESO License

- In addition, the Indian companies planning to deal with explosives need PESO (Petroleum and Explosives Safety Organization of India) license. A PESO license or certification is a mandatory permit issued by the PESO, a regulatory body under the Department for Promotion of Industry and Internal Trade (DPIIT), to ensure the safe handling of hazardous materials. It ensures compliance with safety and regulatory standards for manufacturing, storage, transportation, and usage of explosives, petroleum, and compressed gas.

COMPARATIVE TABLE
DEFENCE INDUSTRY LICENSING, IMPORT LICENSING, EXPORT AUTHORISATION AND AMMUNITION MANUFACTURING LICENSE

Subject	Defence Industry Licensing	Import Licensing	Export Authorisation	Ammunition Manufacturing License
Requirement	Required for manufacturing defence-grade weapons, equipment, or systems listed in the Defence Products List or Arms Rules Schedule I, refer to Arms Act 1959, Arms rule 2016 and amended 2020	Required for importing restricted defence items (arms, ammo, explosives, dual-use),	Required for exporting military/dual-use items (weapons, platforms, subsystems, technology)	Required to manufacture arms, ammunition, explosives governed under Arms Rules, 2016
Ministries Involved	DPIIT, MHA, MoD, DGQA, DRDO	MHA, DGFT, PESO, MoD, DRDO, DGQA, Customs	MoD, DGFT, MHA, MEA, DRDO, DGQA	DPIIT, MHA, MoD, DGQA, PESO
Step-by-Step Procedure	1. Check Defence Product List 2. Apply on DPIIT portal 3. Submit documents 4. Security clearance (MHA) 5. Site inspection (MoD) 6. Grant of License	1. Check classification (Arms, SCOMET, Explosives) 2. Apply via respective portals (NDAL, DGFT, PESO) 3. Upload docs & EUC 4. MHA clearance if needed 5. Customs clearance	1. Identify if product is in MSL or SCOMET 2. Apply via defenceexports.gov.in or DGFT portal 3. Submit EUC & purchase order 4. MoD review, inter-ministerial scrutiny 5. Grant of authorisation	1. Apply for Industrial License on DPIIT portal 2. Get NOC & security clearance from MHA 3. Submit product, land, security documents 4. Site inspection (MoD/DDP) 5. Grant of license
Timelines / Time Taken	2–6 months (varies based on MHA clearance)	2–6 months (arms/explosives); 2–4 weeks (simple DGFT cases)	4–12 weeks (can extend for sensitive items)	6–12 months (based on security and inspection delays)
Post-Approval Actions & Misc.	Register with DGQA/DRDO Submit production returns Comply with FDI cap (74% auto/100% gov.)	Present license at customs Maintain import records Coordinate with MoD/DGQA for inspection	Submit post-shipment reports Maintain export logs For tech transfer, DRDO clearance may be needed	Register with DGQA Submit regular compliance returns May require PESO license for high explosives

THE ASIA GROUP

About The Asia Group

The Asia Group (TAG) is a strategic and investment advisory group that helps clients develop and execute market strategies and capital advisory solutions in India / South Asia and other regions across Asia, Australia, and the United States. TAG's India subsidiary is headquartered in New Delhi, with offices and footprint in a number of other states and cities of the country. TAG's India practice comprises former senior government officials, industry experts, experienced political and policy analysts, and management and strategy consultants.

TAG represents a diverse client base in the public, private, and non-profit space, from leading Fortune 500 multi-national corporations to early-stage companies and from large financial institutions to private family trusts. These global engagements cut across a broad range of industries that include defense and aerospace, manufacturing and logistics, financial services, healthcare and life sciences, tourism and hospitality, technology and telecommunications, and energy and mining.

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TAG Author Bio

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SIDM

SOCIETY OF INDIAN DEFENCE MANUFACTURERS

Since its inception in 2017, the Society of Indian Defence Manufacturers (SIDM) has evolved into India's premier and sole defence industry association, serving as an advocate, catalyst, and facilitator for the defence sector's growth and capability building. The Society represents the entire spectrum of Defence and Aerospace manufacturers in India, spanning both the public and private sectors. Its membership includes large companies, MSMEs, start-ups, FOEMs, and academic institutions, with representation across all states and regions of the country.

Standing firmly as the 'Voice of the Industry,' SIDM works in close partnership with the Government to create a supportive policy environment for the defence sector's advancement. The organization has played a pivotal role in shaping key policies, including the Defence Acquisition Procedure (DAP) 2020, Draft Defence Procurement Manual (DPM) 2020, Draft Defence Production and Export Promotion Policy (DPEPP) 2020, and the Positive Indigenization Lists, among other significant reforms. A landmark achievement was SIDM's advocacy in establishing the Security of Supplies Arrangement (SOSA) between India and the United States, which has strengthened bilateral defence cooperation and supply chain resilience.

SIDM maintains robust engagement with the Ministry of Defence, Indian Armed Forces and other stakeholders, consistently addressing industry concerns to improve the ease of doing business. Through strategic MoUs with the Army, Navy, and Air Force, SIDM provides a vital platform for industry-military collaboration, enabling manufacturers to meet the evolving requirements of the Indian Armed Forces.

In pursuit of global excellence, SIDM has expanded its international footprint by establishing partnerships with leading defence industry associations worldwide. These include collaborations with ISIC (Japan), GIFAS (France), KDIA (Republic of Korea), NDIA (USA), SOFF (Sweden), AIDN (Australia), ABIMDE (Brazil), UKIBC (UK), BDSV (Germany), TEDAE (Spain), and EDCC & EDGE (UAE), AIAD (Italy) creating robust channels for bilateral trade and technological cooperation.

SIDM has strengthened the defence manufacturing ecosystem through innovative initiatives, including the constitution of the Defence Technology Incubation Council (DTIC) to nurture critical innovations and the Defence Export Promotion Council (DEPC) to boost Indian defence exports. Strategic partnerships with the Government e-Marketplace (GeM) for promoting procurement of Indian defence products and services, SIDBI for supporting MSMEs and start-ups, AICTE for promoting a future-ready defence workforce, and the Directorate General of Resettlement (DGR) to facilitate veteran employment reflect SIDM's comprehensive approach to sector development.

Through its state chapters in Andhra Pradesh, Delhi, Gujarat, Karnataka, Madhya Pradesh, Telangana, Uttar Pradesh, and West Bengal SIDM addresses region-specific industry challenges and promotes grassroots-level advocacy. To enhance capacity building, SIDM organizes specialized training courses on Defence Procurement Procedures. It also recognizes outstanding achievements in the sector through the prestigious 'SIDM Champion Awards', inspiring the industry to achieve higher standards of innovation and manufacturing excellence.

Aligned with its vision of catalyzing the Indian defence industry to contribute effectively to national security and become a trustworthy global partner, SIDM continues to champion the cause of making India Atmanirbhar in Defence Production and is 'Proud to Arm the Nation'.

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