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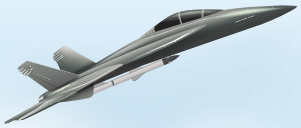
Rubix Industry Insights

DEFENCE

India's defence sector is strongly progressing towards self-reliance, driven by robust indigenous production, rising exports, supportive government policies, and initiatives like Make in India and Atmanirbhar Bharat.

Executive Summary



- India's defence budget has nearly tripled from INR 2.53 trillion in FY2014 to INR 7.85 trillion in FY2027 (budget estimate).
- India was ranked as the world's 5th-largest military spender in 2025, reflecting stronger global standing.
- Defence spending as share of GDP has remained steady at ~2% from FY2022 to FY2027.
- Private sector share in defence production rose from 19% (FY2017) to 23% (FY2025).
- Defence production hit a record INR 1.54 trillion in FY2025, nearly 3.2x higher than FY2015 levels, with a target of INR 3 trillion by FY2029.
- Defence exports surged over 25x, from INR 15 billion (FY2017) to INR 384 billion (FY2026), targeting INR 500 billion by FY2029.
- In FY2026, Defence Public Sector Undertakings (DPSUs) contributed ~55% of exports, while the private sector accounted for ~45%.
- India remains the 2nd-largest arms importer globally, with an 8.2% share (2021–2025).

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Overview of the Indian Defence Industry

India's defence industry is rapidly evolving towards self-reliance under initiatives like Atmanirbhar Bharat, with a strong focus on reducing dependence on imports. There is increasing participation by private players alongside established public-sector enterprises, creating a more competitive and innovation-driven ecosystem. Government reforms, including higher Foreign Direct Investment (FDI) limits and simplified industrial licensing, have significantly strengthened domestic manufacturing capabilities. India is also expanding its defence exports, now supplying equipment to over 85 countries, reflecting its growing global competitiveness. Key focus areas such as aerospace, naval systems, defence electronics, and emerging technologies, like AI and drones, are shaping the industry's future trajectory. Policy frameworks such as the Defence Acquisition Procedure 2020, the draft Defence Acquisition Procedure 2026, and the Defence Procurement Manual 2025 are streamlining procurement processes, prioritising indigenous sourcing, and improving transparency and efficiency. Complementing these are initiatives like dedicated Defence Industrial Corridors, the Production Linked Incentive (PLI) scheme for drone manufacturing, and the Positive Indigenisation List, which collectively incentivise domestic production, foster innovation, and strengthen India's defence manufacturing ecosystem.

Expanding Defence Strength Through Sustained Investment and Modernisation

Indicator	FY2022	FY2023	FY2024	FY2025	FY2026*	FY2027**
Total Defence Allocation (INR Trillion)	5.01	5.73	6.1	6.36	7.33	7.85
Central Government Expenditure (CGE) (INR Trillion)	37.94	41.93	44.43	46.53	49.65	53.47
Defence Spending as % of CGE	13.2%	13.7%	13.7%	13.7%	14.8%	14.7%
Defence Spending as % of GDP	2.12%	2.10%	1.97%	1.97%	2.05%	2%

Source: Union Budget documents
**FY2026 stands for Revised Estimate and **FY2027 stands for Budget Estimate*

India's defence spending reflects a steady and strategic expansion aimed at strengthening military capability while supporting the domestic industry. The Ministry of Defence's allocation in the Budget FY2026-27 reached a record INR 7.85 trillion (Budget Estimate), marking a 15.19% increase over the previous year and accounting for 14.67% of the Union Budget, the highest among all ministries. This growth is part of a broader upward trajectory, with defence expenditure rising at an 8% CAGR from FY2023 to FY2027. Notably, India's defence budget has increased from INR 2.53 trillion in FY2014 to INR 7.85 trillion in 2026–27, a rise of about INR 5.32 trillion, effectively tripling over the period[1]. A significant share of the INR 1.39 trillion in the FY2026-27 budget has been earmarked for domestic procurement, in a clear push toward self-reliance.

At the same time, India's global military standing has strengthened, with the country ranking as the fifth-largest military spender in 2025, compared to sixth in 2015[2]. However, despite rising absolute spending, defence allocation as a share of GDP has remained relatively stable (at around 2% in the current FY2026-27), and its share in central government expenditure has consistently hovered between 13% and 15%. This is a calibrated approach of balancing fiscal discipline with the need for sustained military modernisation and strategic preparedness.

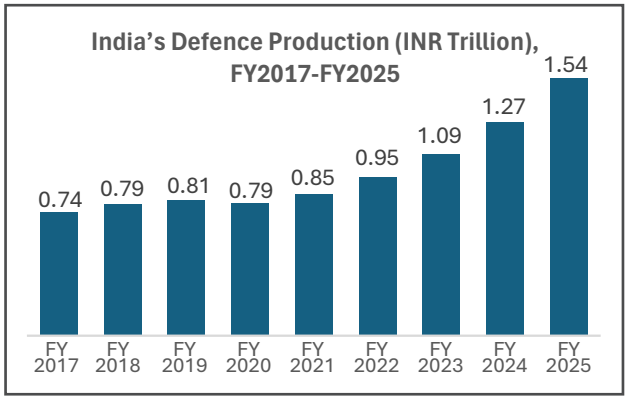
Building on this financial and strategic momentum, India is advancing an extensive modernisation pipeline across air, naval, and emerging warfare domains. The Ministry of Defence is pursuing a multi-pronged approach for fighter jet acquisition, combining large-scale expansion of the Dassault Rafale fleet with significant domestic manufacturing (with negotiations in progress) and renewed engagement on fifth-generation platforms such as the Sukhoi Su-57, while continuing to prioritise

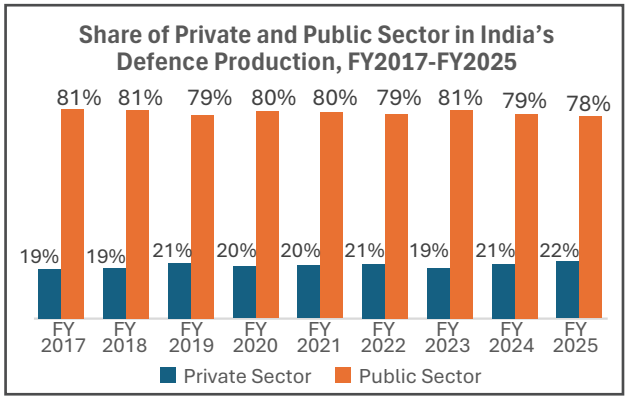
[1] *Press Information Bureau of India, February 2026*
[2] *Stockholm International Peace Research Institute, Trends in World Military Expenditure, 2025*

indigenous development programs. Complementing this, policy measures like the waiver of customs duties on imported inputs for aircraft manufacturing are expected to strengthen the domestic aerospace ecosystem, particularly in Maintenance, Repair, and Overhaul (MRO) capabilities.

Naval modernisation is also gaining traction, with plans to induct advanced unmanned surface vessels and enhance undersea capabilities under Project 75-I, which envisages the construction of six air-independent propulsion submarines in collaboration with Thyssenkrupp Marine Systems at Mazagon Dock Limited. Additionally, the acquisition of large amphibious landing platform docks reflects a growing focus on expeditionary operations and strategic reach across the Indo-Pacific. Thus, there is a coherent shift towards capability enhancement, technological advancement, and deeper integration of the domestic industry within India's long-term defence preparedness framework.

India Advancing Towards Atmanirbhar Bharat Through Defence Self-reliance Growth





Note: Department of Defence Production

Driven by sustained growth in indigenous manufacturing and expanding industrial capacity, there is a clear structural shift toward self-reliance in India's defence production ecosystem. 16 Defence Public Sector Undertakings (DPSUs) such as Hindustan Aeronautics Limited (HAL), Bharat Electronics Limited (BEL), Bharat Dynamics Limited (BDL), Mazagon Dock Shipbuilders Limited (MDL), etc. are considered as the pillars of India's defence manufacturing ecosystem, playing a central role in the design, development, and production of critical platforms and systems for the Indian Armed Forces, including the Army, Air Force, and Navy.

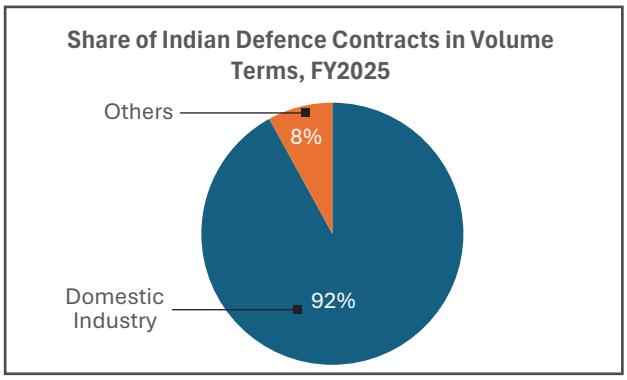
Production reached a record INR 1.54 trillion in FY2025, nearly 3.2 times higher than FY2015 levels, with targets of INR 1.9 trillion by FY2026 and INR 3 trillion by FY2029. This upward trajectory reflects a shift from import dependence to strengthening domestic manufacturing capabilities, with around 65% of defence equipment now produced within India, reversing the earlier 65%–70% reliance on imports.

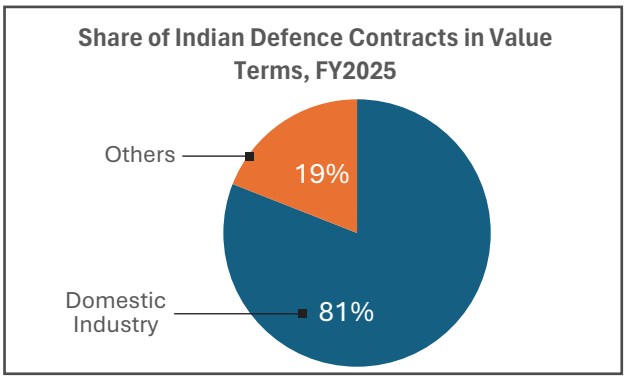
The contribution of the private sector has increased from 19% in FY2017 to 23% in FY2025, indicating the broadening and deepening of India's defence industrial base, with around 16,000 MSMEs emerging as key drivers alongside larger enterprises. Additionally, 788 industrial licenses have been issued to 462 companies, resulting in growing industrial participation and investment and a wider base of approved firms engaged in defence manufacturing[3].

This transformation is further supported by strong procurement and policy alignment towards indigenous sourcing. In FY2025, the Ministry of Defence signed a record 193 contracts worth INR 2.09 trillion, with nearly 92% of volume (number of contracts) and 81% of value directed towards domestic firms, signalling a decisive preference for local manufacturers[4]. While this shift has strengthened domestic production capacity, it has also stimulated employment and technological innovation across the sector. For example, in March 2025, the Cabinet Committee on Security approved an INR 70 billion deal to procure indigenous artillery guns, with orders to be shared between Bharat Forge and Tata Advanced Systems Limited. The Advanced Towed Artillery Gun System (ATAGS), developed by the Defence Research and Development Organisation (DRDO) in collaboration with the private sector, is **India's first fully indigenous 155 mm artillery gun** and has already been exported to Armenia. With over 65% domestic sourcing of critical components, the Army has committed to manufacturing all future artillery systems in India and is advancing plans for a next-generation fully indigenous platform[5]. Thus, India's defence strategy is

[3-4] *Press Information Bureau of India, November 2025*
[5] *Economic Times, March 2025*

increasingly anchored in self-reliance, with procurement decisions, industrial participation, and production capabilities aligned to reduce external dependency and build a resilient, innovation-driven defence ecosystem.





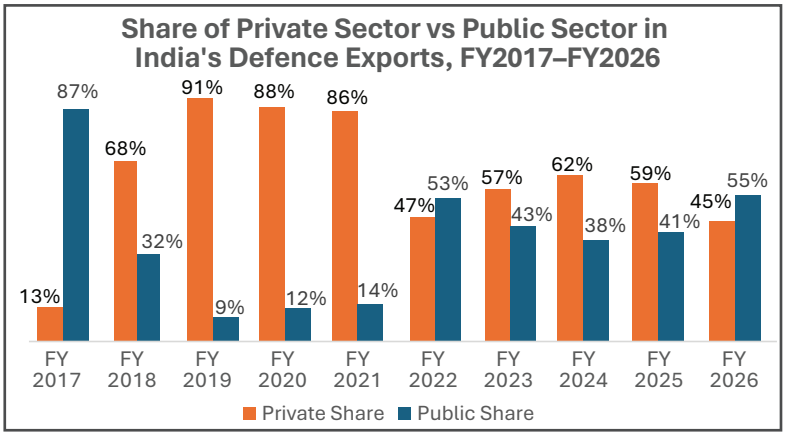
Note: Ministry of Defence

Export Landscape: Exports Increased by More Than 25 Times From FY2017 to FY2026

**The value for FY2027 is the target.*
Source: Department of Defence Production, Ministry of Defence.

In FY2026, India's defence exports reached an all-time high of INR 384 billion, recording a 63% jump over the previous year and a 25x growth since clocking INR 15 billion in FY2017. With a target of INR 400 billion for FY2027, the government plans to achieve INR 500 billion in defence exports by FY2029[6]. The sharp rise in India's defence exports reflects growing global acceptance of Indian-made defence products and deeper integration into international supply chains. India has shifted from being heavily import-dependent to increasingly manufacturing a wide range of systems, including guns, drones, fighter jets, and submarines, domestically or in partnership with foreign firms. Overall, this surge highlights India's ambition to emerge as a global defence manufacturing hub, supported by policy reforms, technological progress, and rising international demand.

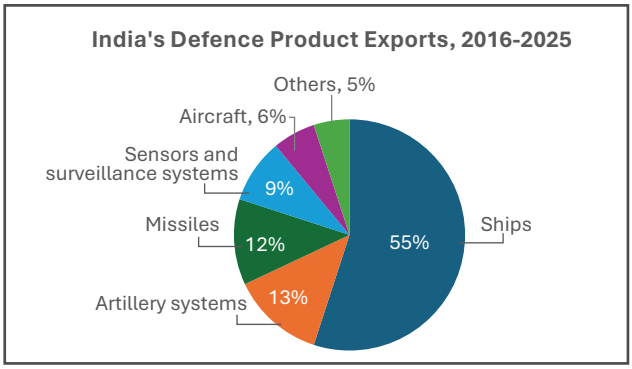
In FY2026, DPSUs accounted for about 55% of India's defence exports with 151% Year-on-year growth, whereas the private sector contributed around 45%, registering a 14% increase over the previous year and maintaining a strong presence in the export landscape.



Source: Department of Defence Production, Ministry of Defence

[6] *Ministry of Defence, March 2026*

The wide fluctuation in the private sector's share in India's defence exports is mainly due to a small base in early years, uneven contract execution, and mismatched timing between public and private orders. In the initial years (FY2017–FY2021), private firms such as Larsen & Toubro (L&T), Tata Advanced Systems, Bharat Forge, and Adani Defence dominated exports because overall volumes were low and even a few contracts created sharp spikes in share. Over time (post FY2021, when exports crossed INR 100 billion), public sector undertakings like Hindustan Aeronautics Limited (HAL), Bharat Electronics Limited (BEL), and Mazagon Dock Shipbuilders began executing larger export contracts involving platform-level systems, such as naval vessels, aircraft, avionics suites, radars, and missile-related systems. These PSU-led large-scale orders caused significant swings, often reducing private sector share even when private exports were rising in absolute terms. Besides, defence exports are also highly contract-driven and depend on shipment timing, leading to year-to-year variability rather than smooth growth. Additionally, increasing PSU participation in complex platform-level exports has structurally moderated private sector dominance over time. Overall, the pattern highlights a transitioning defence export base that is becoming broader and more diversified over time.



Source: Stockholm International Peace Research Institute (SIPRI)[7]

India's defence exports reflect a broad and increasingly sophisticated portfolio spanning complete weapon systems, subsystems, components, and support equipment, including BrahMos cruise missiles, Akash air-defence systems, Pinaka rocket systems, Advanced Towed Artillery Gun System (ATAGS) artillery, Swathi Weapon Locating Radars, electronic warfare systems, armoured and mine-protected vehicles, Dornier-228 aircraft, specialised naval vessels, and protective gear such as body armour and bulletproof jackets. In December 2025, India moved closer to finalising export deals for the highly sought-after BrahMos with Vietnam and Indonesia, collectively valued at over INR 40 billion. Known as one of the world's most popular and capable supersonic cruise missiles, BrahMos continues to attract strong interest from multiple Southeast Asian countries due to its speed, precision, and proven performance[8].

As per Stockholm International Peace Research Institute (SIPRI), at the broader structural level, between 2016 and 2025, India's defence exports were structurally dominated by naval platforms, with ships accounting for about 55% of total exports, followed by artillery systems (13%), missiles (12%), sensors and surveillance (9%), aircraft (6%), air defence systems (5.3%), and armoured vehicles (0.3%)[9]. This composition is substantiated by Rubix analysis at the HS-code level: naval vessels (HS 89069090) show a sharp rise from no exports in FY2018 to about INR 66.9 billion in FY2026 (April–January), highlighting the central role of large platform deliveries. Other segments also exhibit strong momentum, with missiles, rockets, and air defence munitions (HS 93069000) growing at around 65% CAGR between FY2018 and FY2026, reaching roughly INR 49.7 billion, while radar apparatus (HS 85261000), including systems such as Swathi weapon locating radar and other military surveillance and targeting radars, has expanded at about 56% CAGR, reaching approximately INR 2.5 billion by January 2026. Together, these trends reinforce that India's defence exports are increasingly driven by high-value platforms, supported by rapid growth in missiles, munitions, and advanced electronics. Furthermore, the number of Indian defence exporters rose from 128 in FY2025 to 145 in FY2026, a 13.3% increase, with growing participation from domestic firms alongside a strengthening industrial base[10].

India currently exports defence equipment to more than 80 countries[11]. Its defence exports to countries such as Myanmar, the Philippines, Armenia, Sri Lanka, Indonesia, and Egypt are largely driven by high-value platform and system-level contracts. In contrast, exports to advanced partners, such as the US, Germany, and Belgium, are more component- and subsystem-oriented but have been diversifying over time into higher-value systems. Engagement with several African markets is also growing[12].

[7,9] *NDTV, April 2026*
[8,10,12] *Times of India, December 2025*

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Import Landscape: India Diversifies Arms Imports, Balancing Self-reliance, Technology, and Partnerships

Period	India's Rank in Global Arms Imports	India's Share in Global Arms Imports	Major Arms Suppliers to India
2011–2015	1	14%	Russia (70%), USA (14%) and Israel (5%)
2016–2020	2	9.30%	Russia (49%), France (18%) and Israel (13%)
2021–2025	2	8.20%	Russia (40%), France (29%) and Israel (15%)

Source: Stockholm International Peace Research Institute (SIPRI)

According to the Stockholm International Peace Research Institute, India remains the world's second-largest importer of major arms, accounting for 8.2% of global imports from 2021 to 2025, compared to 9.3% from 2016 to 2020. The decline is due to India's gradual shift towards indigenous defence production and efforts to strengthen domestic capabilities. Thus, India's procurement strategy has transitioned from heavy reliance on imports to a more balanced approach combining domestic production with selective foreign acquisitions. The trend also indicates a long-term move towards supply-chain resilience and strategic autonomy in defence.

At the country level, India's arms sourcing has undergone a clear diversification. Russia remains the largest supplier, but its share has declined sharply, from 70% (2011–15) to 40% (2021–25), resulting in lower dependence. Meanwhile, France has emerged as the second-largest supplier with about 29% share, driven by major defence deals, and Israel accounts for around 13%–15%, playing a crucial role in advanced technologies such as surveillance and precision systems. The US has also expanded its role through high-end platforms. Notably, India is the largest arms customer for both France and Israel, highlighting deepening strategic partnerships. This evolving mix reflects a deliberate shift towards technology-intensive procurement and diversified sourcing, reducing over-reliance on any single country.

Country	Selected Range of Products	Examples
Russia	Fighter jets, submarines, missiles, tanks	Sukhoi Su-30MKI fighter aircraft, T-90 tanks, S-400 missile defence system
France	Fighter aircraft, submarines, missiles	Dassault Rafale jets, Scorpene-class submarines (P75 project)
Israel	Missile systems, radars, drones	Barak-8 surface-to-air missile system, Heron UAVs, Spyder air defence system
USA	Aircraft, helicopters, maritime, and surveillance platforms	Boeing P-8I Poseidon, C-130J Super Hercules transport aircraft

Note: Only selected countries and selected products are mentioned.

In the first half of 2026, India approved a record level of defence procurements, reflecting a strategy of simultaneous diversification and continuity in sourcing rather than replacing one supplier with another. The Defence Acquisition Council cleared proposals worth USD 25 billion in March 2026, covering transport aircraft, remotely piloted strike aircraft, gun systems, aerial surveillance platforms, and additional S-400 air defence systems from Russia, along with contracts such as Tunguska missile systems. This followed a separate USD 40 billion approval in February 2026 specifically for major aviation acquisitions, including 114 Dassault Rafale fighter jets from France and additional Boeing P-8I Poseidon aircraft for the Indian Navy. Together, India cleared 55 proposals worth USD 71 billion in a single financial year (FY2026), the highest ever, with a procurement approach that maintains reliance on Russia for legacy systems while expanding partnerships with France, Israel, and the US for advanced capabilities[13]. Further, as of April 2026, Russia has shipped the fourth of the five ordered S-400 Triumf air defence systems, which played a critical defensive role during Operation Sindoor. It is expected to arrive in India by mid-May, and the fifth S-400 is scheduled for November[14].

Note: As of the end of April 2026, Negotiations for India's proposed purchase of 114 Dassault Rafale jets have reportedly stalled due to disagreements with France over weapon integration rights and access to sensitive aircraft systems, with India seeking greater autonomy and France citing technology security concerns[15].

[13] *India's World, International Affairs, April 2026*
[14] *Times of India, April 2026*
[15] *Defence Security Asia, April 2026*

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Government Initiatives to Promote Indigenous Defence Manufacturing Under Make in India

Defence Acquisition Procedure (DAP) 2020 and 2026

The Defence Acquisition Procedure (DAP) 2020 is a comprehensive framework designed to modernise India's defence procurement system while promoting a globally competitive domestic defence industry. It addresses legacy challenges like delays and import dependence by embedding clarity, efficiency, and indigenous innovation across the acquisition lifecycle. A key pillar is the "Indian First" approach, which prioritises the Buy Indian Indigenously Designed, Developed and Manufactured (Indian-IDDM) category to strengthen self-reliance in defence manufacturing. It fosters future-ready capabilities by encouraging the acquisition of advanced technologies such as AI, robotics, cyber, space, and multi-domain warfare systems, while actively integrating private industry, MSMEs, and start-ups through initiatives like iDEX (Innovations for Defence Excellence). In February 2026, the Ministry of Defence released the draft DAP 2026, which, among other revisions, proposes indigenous content to be raised from 50% to 60% in the Buy Indian-IDDM category and provision of incentives[16].

Defence Procurement Manual (DPM) 2025

The Defence Procurement Manual (DPM) 2025, launched in October 2025, builds on the DAP framework to further simplify defence procurement and bring uniformity in procedures across the Ministry of Defence and the Armed Forces. Effective from 1st November 2025, it aims to support the procurement of goods and services worth around INR 1 trillion, enhancing operational preparedness. The manual introduces key reforms focused on the ease of doing business, innovation, and indigenisation, including standardised procedures, stronger industry–academia collaboration, and incentives for domestic manufacturing. It also strengthens transparency and efficiency through lower penalties for indigenisation projects, assured orders for indigenous products, removal of outdated approvals, and enhanced digital procurement systems.

Dedicated Defence Corridors

Two dedicated defence manufacturing hubs, the Uttar Pradesh Defence Industrial Corridor (UPDIC) and the Tamil Nadu Defence Industrial Corridor (TNDIC), are playing a pivotal role in driving India's defence industrial transformation. Together, as of October 2025, these corridors have attracted investments exceeding INR 91.4 billion, facilitated the signing of 289 Memoranda of Understanding (MoUs), with strong industry participation and investor confidence, and have also unlocked potential investment opportunities worth INR 664 billion. These corridors are significant in building integrated defence manufacturing ecosystems and strengthening India's self-reliance in defence production.

Digital Portal for Exporters[17]

The Department of Defence Production has enhanced the ease of doing business by introducing a fully digital

[16] *Ministry of Defence, February 2026*

portal for export authorisations, improving efficiency and accessibility for exporters. In FY2025, it granted 1,762 approvals, up from 1,507 in FY 2023–24, a 16.92% year-on-year increase. The number of defence exporters also rose by 17.4%, indicating broader industry participation and growing export activity.

FDI in the Defence Sector[18]

In September 2020, India raised the FDI limit in the defence sector from 49% to 74% under the automatic route. This reform, announced as part of the Atmanirbhar Bharat initiative, aimed to attract greater foreign investment and strengthen domestic defence manufacturing. The FDI equity inflow into Indian defence industries increased nearly 1.8 times from USD 3.3 million in 2022 to USD 6 million in 2025. Cumulative FDI from January 2000 to December 2025 stood at USD 27.8 million[19].

PLI Scheme for Drone Manufacturing[20]

In 2021, the Government of India introduced a Production-Linked Incentive (PLI) scheme for the drone sector with an outlay of INR 1.2 billion to promote domestic manufacturing. The scheme concluded in 2024, after which a new initiative, an INR 20 billion incentive programme aimed at further boosting India's drone ecosystem over three years, was announced in July 2025. This new scheme focuses on manufacturing drones, components, software, counter-drone systems, and allied services, with a target of localising at least 40% of critical drone parts in India by FY2028.

Positive Indigenisation List (PIL)[21]

In July 2024, the Government released the fifth Positive Indigenisation List (PIL) for DPSUs, covering 346 strategically important items, such as systems, subsystems, components, and raw materials, with an estimated import substitution value of INR 10.4 billion. These items are mandated to be sourced exclusively from Indian industries within defined indigenisation timelines, pushing forth the domestic procurement agenda. Overall, till June 2024, more than 36,000 defence items had been offered for indigenisation, over 12,300 had already been indigenised since 2021, and DPSUs had placed orders worth INR 75.7 billion on domestic vendors, significantly strengthening India's indigenous defence ecosystem[22].

DRDO: Technology Development Fund

The Technology Development Fund (TDF) is an initiative of the Defence Research and Development Organisation (DRDO) to promote the indigenous development of defence technologies in collaboration with Indian industries, especially MSMEs and start-ups. It provides financial support, typically up to 90% of project costs, to develop innovative defence products and prototypes in critical technology areas. The scheme strengthens India's self-reliance in defence by bridging the gap between research and industrial production while encouraging private sector participation.

SRIJAN Defence Portal

Launched in 2020 by the Ministry of Defence, the SRIJAN Defence Portal is an online platform to promote indigenisation by enabling Indian industries, including MSMEs and start-ups, to identify and manufacture defence items currently imported or procured from abroad. It facilitates direct interaction between DPSUs, the armed forces, and domestic industry, including smaller innovators, to boost Make in India and self-reliance in defence production.

Mission Raksha Gyan Shakti

Mission Raksha Gyan Shakti is a Ministry of Defence initiative to promote innovation and intellectual property creation in the defence sector. It encourages DPSUs to focus on patents, knowledge sharing, and indigenous technological development to strengthen self-reliance.

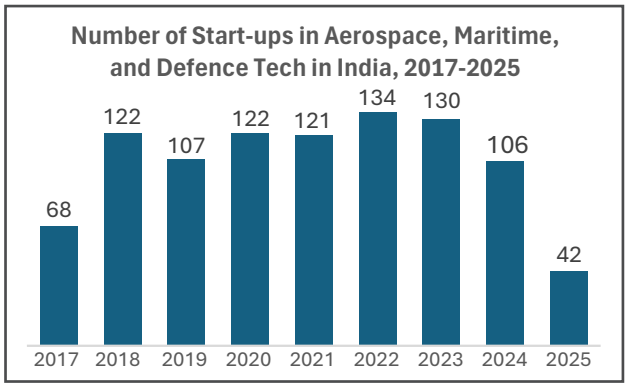
India's Defence Start-ups Surge, Driving Innovation, Scale, and Self-reliance

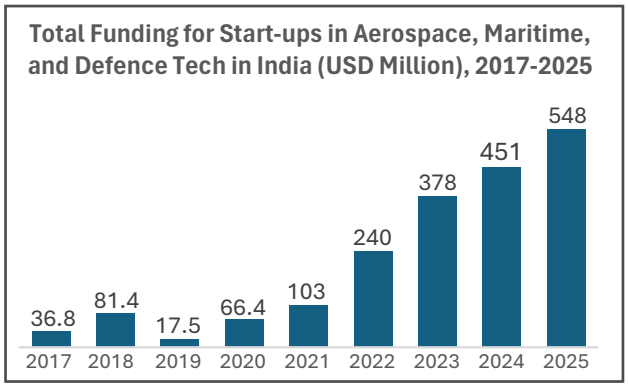
India's defence innovation ecosystem has expanded rapidly in recent years, with over 1,000 defence start-ups operating across the country (as of September 2024) according to industry estimates[23]. This growth has been driven by a strong policy push towards self-reliance in military technology, rising investor interest, and targeted initiatives, such as the Innovations for Defence Excellence (iDEX) program. By issuing problem statements from the armed forces and inviting start-up-led solutions, iDEX has catalysed innovation in areas such as drones, electro-optical surveillance systems, advanced imaging, body armour, and combat medical devices. As modern warfare

[17] *Press Information Bureau of India, November 2025*
[18] *India Defense News, August 2020*
[19] *Department for Promotion of Industry and Internal Trade, December 2025*
[20] *Outlook Business, July 2025*
[21] *Ministry of Defence, July 2024*
[22] *PIB Delhi, July 2024*
[23] *Economic Times, September 2024*

increasingly shifts towards smaller, autonomous, and technology-driven systems, these start-ups are playing a critical role in developing mission-ready solutions that were previously imported, complementing the efforts of traditional DPSUs.

According to Tracxn, 950+ start-ups were founded in the aerospace, maritime, and defence tech segment in India between 2017 and 2025, collectively attracting nearly USD 2 billion in funding during this period. The Indian aerospace, maritime, and defence start-up ecosystem shows a clear shift in capital dynamics. While the number of newly founded start-ups peaked in 2022 and declined thereafter, total funding continued to grow, reaching USD 548 million in 2025. This divergence is a sign of transition from an early-stage expansion phase to a more mature phase, where investor capital is increasingly concentrated in fewer, higher-potential start-ups rather than being widely distributed across new entrants.





Source: Tracxn

Drivers

Key Developments	Impact		
	1–2 years	3–5 years	6–10 years
Self-reliance push reshaping the industry	Very High	Very High	Very High
Rising security threats fuelling steady demand	Very High	Very High	Very High
Exports as the new growth engine	Very High	Very High	Very High
Big-ticket procurement cycles supporting visibility	Very High	Very High	High
Accelerating private sector participation	Very High	Very High	High
Technology shift creating new opportunities	Very High	Very High	High

Self-reliance Push Reshaping the Industry

India's defence sector is strongly driven by the government's Atmanirbhar Bharat initiative, which prioritises domestic manufacturing. This policy encourages local production of weapons, platforms, and systems to reduce dependence on imports. As a result, companies are seeing higher indigenisation mandates and long-term manufacturing opportunities. India's defence production reached a record INR 1.54 trillion in FY2025, nearly 3.2 times higher than FY2015 levels, with rapid scaling up of domestic manufacturing capacity across both public and private sectors. The government has also set an ambitious target of INR 3 trillion in defence production by FY2029, signalling continued strong policy support[24]. Furthermore, various government initiatives, such as the Defence Acquisition Procedure 2026, Defence Procurement Manual 2025, Dedicated Defence Corridors, the PLI scheme for drone manufacturing, the Positive Indigenisation List, and the SRIJAN Defence Portal, among others, are collectively accelerating the momentum for self-reliance.

Rising Security Threats Fuelling Steady Demand

Geopolitical tensions and border security challenges, including the 2020 Galwan clash with China and India's Operation Sindoor conducted against Pakistan in May 2025, are keeping defence demand structurally high. India continues to modernise its armed forces to address multi-front security concerns. This ensures consistent procurement of advanced equipment across all services.

[24] *Press Information Bureau of India, November 2025*

Exports as the New Growth Engine

India is increasingly prioritising defence exports as part of its industrial strategy, with products such as missiles, naval systems, and electronics being supplied to friendly foreign countries, helping companies diversify beyond domestic demand. In FY2026, India's defence exports reached an all-time high of INR 384 billion, with a target of INR 500 billion by FY2029[25], to capitalise on the growing global acceptance of Indian-made defence products and deeper integration into international supply chains. This growth also shows India's shift from import dependence to domestic manufacturing of systems such as guns, drones, fighter jets, and submarines, often in partnership with foreign firms, and its ambition to become a global defence manufacturing hub supported by policy reforms and rising international demand. For example, following deals with the Philippines and Indonesia to export the supersonic cruise missile BrahMos, India is now in discussions with other Southeast Asian countries for potential sales[26].

Big-ticket Procurement Cycles Supporting Visibility

The defence industry operates on long procurement cycles involving large-value contracts for aircraft, submarines, missiles, and artillery. These programs typically span multiple years from planning to delivery, which provides companies with strong revenue visibility over the long term. For example, the order book of HAL increased by 3.5 times from INR 529 billion in FY2020 to INR 1,893 billion in FY2025. Similarly, the order book of Bharat Dynamics Limited tripled from INR 74 billion to INR 228 billion for the same period[27]. This sustained expansion in order books and long procurement cycles provide defence companies with long-term revenue visibility, enabling confident investments in capacity, technology, and skilled talent, which directly accelerates industry growth. As these multi-year programs scale, they also deepen the domestic supply chain and attract capital, creating a compounding effect that strengthens India's defence manufacturing ecosystem.

Accelerating Private Sector Participation

Private companies are playing a growing role in defence manufacturing and innovation. Firms such as Adani Defence Systems and Technologies Limited, Tata Advanced Systems, and Bharat Forge are expanding capabilities in platforms and systems, strengthening the overall defence industrial base in India. The share of the private sector in defence production has increased from 19% in FY2017 to 23% in FY2025, and it accounted for a 45% share in defence exports in FY2026, highlighting its growing contribution[28].

Technology Shift Creating New Opportunities

Modern warfare is increasingly driven by drones, AI, electronic warfare, and precision systems. This shift is creating the demand for advanced and high-tech defence solutions. It is also pushing companies to invest more in R&D and innovation. Around 16,000 MSMEs are playing a crucial role by supplying components, subsystems, and specialised technologies within the defence supply chain[29]. At the same time, start-ups are contributing through innovations in areas like unmanned systems, AI-driven solutions, and defence electronics, supported by government initiatives and funding programs.

Challenges

Key Developments	Impact		
	1–2 years	3–5 years	6–10 years
High import dependence in critical tech	Very High	High	Moderate
Limited scale of private defence manufacturing	High	High	Moderate
Persistent gap in R&D intensity	High	High	Moderate
Global supply chain and export restrictions	High	High	Moderate

High Import Dependence in Critical Tech

India remains the world's second-largest importer of major arms and accounted for 8.2% of global imports between 2021 and 2025, highlighting its continued reliance on foreign suppliers[30]. It is still dependent on imports for critical technologies such as jet engines, advanced sensors, semiconductors, and systems like the S-400 Triumf[31]. While such systems enhance capability and played an important defensive role during Operation Sindoor, this dependence limits self-reliance in high-end defence manufacturing and increases exposure to global supply chain and geopolitical risks.

[25] *Ministry of Defence, March 2026*
[26] *The EurAsian Times, March 2026*
[27] *Annual Reports of Hindustan Aeronautics Limited and Bharat Dynamics Limited*
[28] *Department of Defence Production*
[29] *Press Information Bureau of India, November 2025*
[30] *Stockholm International Peace Research Institute (SIPRI)*
[31] *Times of India, April 2026*

Limited Scale of Private Defence Manufacturing

Only a few large private players have the capability to build complete defence systems independently. Most firms operate as component or subsystem suppliers rather than full platform manufacturers. This restricts large-scale competition, system integration, and the development of end-to-end domestic capabilities.

Persistent Gap in R&D Intensity

Advanced defence technologies require sustained and high-level research investment. Institutions like DRDO play a central role, but industry participation is still developing. This slows the pace of breakthrough innovation. For instance, India's indigenous Kaveri jet engine program, intended to power the HAL Tejas, failed to meet required thrust levels even after decades of development, forcing continued reliance on foreign engines[32].

Global Supply Chain and Export Restrictions

Defence manufacturing depends heavily on global components and technology transfers. Geopolitical restrictions and export controls can limit access to critical systems. This affects both production timelines and international partnerships. For example, the current negotiations for India's proposed purchase of 114 Dassault Rafale jets have reportedly stalled (as of April 2026) due to disagreements with France over weapon integration rights and access to sensitive aircraft systems. Another example is the delayed delivery of Boeing AH-64 Apache helicopters, where the first batch arrived nearly 15 months later than the original May 2024 schedule due to global supply chain disruptions, with the final batch delivered in December 2025[33].

Key Initiatives and Major Orders Received by Major Players

Company	Brief Description
Adani Defence Systems and Technologies Limited (ADSTL) Product Development Highlights: Integrated helicopter manufacturing	In February 2026, Adani Defence and Aerospace (defence arm of the Adani Group under which ADSTL operates) signed an MoU with Italy-based Leonardo to develop a fully integrated helicopter manufacturing ecosystem in India, focusing on indigenous production, MRO support, and training for AW169M and AW109 TrekkerM helicopters to meet Indian Armed Forces' requirements.
Bharat Dynamics Limited (BDL) Product Development Highlights: Anti-tank missiles	• In March 2026, BDL announced plans to establish two new manufacturing facilities, one at Ibrahimpatnam near Hyderabad with advanced assembly lines, weapon system infrastructure, and specialised testing capabilities, and another in Jhansi, Uttar Pradesh, focused on propellant production, Grad rocket manufacturing, and in-house R&D on new energetics, with production scheduled to commence in FY2027. • In November 2025, the Ministry of Defence signed a INR 20.96 billion contract with BDL to procure INVAR anti-tank missiles, enhancing the firepower and lethality of T-90 tanks.
Bharat Electronics Limited (BEL) Product Development Highlights: Mountain radars, missile sighting and communication equipment, air-to-ground weapons	• In April 2026, the Ministry of Defence signed a major capital acquisition contract with BEL to procure two mountain radars, along with associated equipment and infrastructure, for the Indian Air Force, at a cost of approximately INR 19.5 billion. The radar system has been indigenously designed and developed by the Electronics and Radar Development Establishment under the DRDO and will be manufactured by BEL. • In June 2025, BEL secured multiple new defence contracts worth more than INR 5.8 billion for advanced systems like missile sighting and communication equipment. • In November 2025, BEL formed a joint venture with France-based Safran Electronics and Defence to produce HAMMER smart precision-guided air-to-ground weapons. • In September 2025, BEL formed strategic partnership with Larsen & Toubro to support the Advanced Medium Combat Aircraft (AMCA) programme of the Indian Air Force.

[32] *DefenceXP Network LLP, August 2024*
[33] *The Hindu, December 2025*

Bharat Forge Limited Product Development Highlights: Close Quarter Battle (CQB) carbines	In December 2025, Bharat Forge secured a INR 16.6 billion contract from the Ministry of Defence for indigenously designed CQB carbines, followed by additional orders worth about INR 3 billion in January 2026 under the ongoing Emergency Procurement–VI (EP-VI) framework for supplying indigenous unmanned systems, including Intelligence, Surveillance, and Reconnaissance (ISR) platforms and loitering munitions to the Indian Army and Indian Navy.
Cochin Shipyard Limited Product Development Highlights: Next-generation Survey Vessels	In February 2026, Cochin Shipyard Limited emerged as the L1 bidder for a INR 50 billion Ministry of Defence contract to build five Next-generation Survey Vessels for the Indian Navy, aimed at strengthening hydrographic survey and maritime domain awareness capabilities, with the final award pending procedural approvals.
Hindustan Aeronautics Limited (HAL) **Product Development Highlights:** Tejas Mk-1A fighter jets and Sukhoi Su-30MKI aircraft	In 2025, HAL secured one of the largest defence contracts in recent years with a INR 620+ billion order from the Ministry of Defence for 97 Tejas Mk-1A fighter jets, along with an additional INR 135+ billion order for 12 Sukhoi Su-30MKI aircraft, while also advancing indigenous programs such as the HTT-40 trainer aircraft and participating in the AMCA fifth-generation fighter initiative through a new industry partnership model.
Kalyani Strategic Systems Limited Product Development Highlights: Underwater systems	In November 2025, Kalyani Strategic Systems Ltd, a wholly-owned subsidiary of Bharat Forge Limited, secured orders worth more than INR 2.5 billion for the supply of underwater systems, with delivery within a year, by November 2026, in line with Fast Track procurement norms.
Larsen & Toubro Limited Product Development Highlights: Sindhu vehicles and K9 Vajra-T platforms	• In November 2025, the Indian Army signed a contract with Larsen & Toubro for the procurement of BvS10 Sindhu vehicles, which will be indigenously manufactured at its Hazira facility in partnership with BAE Systems (the original platform developer), along with a comprehensive integrated logistics support package covering deployment, maintenance, and lifecycle sustainment. • In 2017, Larsen & Toubro secured the contract for the first batch of 100 K9 Vajra-T platforms (a 155 mm, 52-calibre tracked self-propelled howitzer) and, in December 2024, received another order from the Ministry of Defence for the second batch, both manufactured in India with technology from South Korea's Hanwha Aerospace. (Note: In April 2026, India and South Korea agreed to pursue a third phase of cooperation focused on greater technology transfer, co-development, and joint design of advanced defence systems, building on the existing K9 Vajra programme.)
Mazagon Dock Shipbuilders Limited Product Development Highlights: Submarines	As of April 2026, India is nearing the final stages of a INR 900 billion submarine deal with Germany for six advanced submarines under Project-75I. The submarines are expected to be jointly built by Mazagon Dock Shipbuilders Limited and Thyssenkrupp Marine Systems, with provisions for transferring design and technology to India.
Paras Defence & Space Technologies Limited Product Development Highlights: High-precision optical system	In March 2026, Paras Defence & Space Technologies secured a INR 802.8 million order from DRDO to develop a high-precision optical system for air defence applications, with the project scheduled for completion within 18 months.
Reliance Defence Product Development Highlights: High-tech ammunition	In June 2025, Reliance Defence secured an export order worth INR 6 billion from Rheinmetall Waffe Munition GmbH, a leading German defence and ammunition manufacturer, and the order is considered to be one of the largest in the high-tech ammunition domain.
Tata Advanced Systems Limited Product Development Highlights: Support the 510 Advance Base Workshop (ABW)	In January 2026, Tata Advanced Systems was awarded a supply order to support the 510 Advance Base Workshop (ABW) of the Indian Army in the overhaul-cum-upgrade of in-service first-generation Pinaka Multiple Launch Rocket Systems (MLRSs) and Battery Command Posts (BCPs).

Note: Selected initiatives available in the public domain have been considered for selected major players. Initiatives are arranged in company-wise alphabetical order.
Source: Company press releases, news sources

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Outlook

India's defence sector outlook is being shaped by a strong policy push towards self-reliance and indigenous manufacturing under the broader "Atmanirbhar Bharat" vision. The government has set an ambitious target of achieving INR 3 trillion (compared to INR 1.54 trillion in FY2025) in defence production by FY2029. This shows the intent and need to scale domestic capabilities significantly. Alongside this, India aims to reach INR 500 billion in defence exports by FY2029 (compared to INR 384 billion in FY2026), building on its current footprint of exporting defence equipment to more than 80 countries. A central strategic shift driving this transformation is the deliberate reorientation of procurement towards domestic manufacturers through positive indigenisation lists, higher local content requirements, and increased allocation of contracts to Indian private sector firms, MSMEs, and start-ups. At the same time, India is actively diversifying its foreign supplier base by reducing heavy dependence on Russia, whose share in India's arms imports has declined from about 70% in 2011–2015 to around 40% in 2021–2025, alongside growing sourcing from France, Israel, and the US. This diversification strategy is complemented by stronger participation of the domestic industry in complex systems manufacturing, particularly in drones, electronics, and missile components. Despite this momentum, import dependence for advanced platforms and critical technologies remains a structural challenge that constrains full strategic autonomy. However, sustained policy support, procurement reforms, and rising private sector capability are steadily accelerating indigenisation and industrial depth. Overall, India's defence sector is positioned for robust long-term expansion, with a more resilient, diversified, and self-reliant ecosystem taking shape.

ABOUT RUBIX

Rubix Data Sciences Pvt. Ltd. helps you to take prudent credit risks, build a robust supply chain and monitor compliance for your business partners in India and around the world. Rubix helps you collect payments in time from your debtors, helping generate predictable cash flows.

Set up by highly experienced Risk Professionals, the company has been recognised at the IMC Digital Technology Awards in 2020 for the Rubix ARMS™ platform, and in 2021 for the Rubix Early Warning System (EWS). Rubix has also received the prestigious ET BFSI Exceller Award three times in a row: in 2023 for its ground-breaking analytics initiative, 'SME Income Range Estimation and Financial Ratio Benchmarking', in 2024 for the Rubix Risk Scoring Model, and in 2025 for Rubix Nexus Check.

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