UK TRADE & INVESTMENT

UKTI DEFENCE & SECURITY ORGANISATION

UKTI DSO PRIORITY MARKET BRIEFS

DEFENCE & SECURITY OPPORTUNITIES: INDIA

WHY THIS MARKET IS IMPORTANT

India is one of the top five defence markets for the UK and overall is the second biggest importer of defence equipment/services globally. In 2010, India signed a contract with the UK, worth £700M ($1BN), for a further 57 Hawk Trainer Aircraft.

DEFENCE OPPORTUNITIES

Consider whether your product meets the requirements of the customer. The Indian procurement process consists of thorough field testing and it is better to realise that you won't meet the requirements at the RFP stage rather than wait for the outcome of costly in country trials. While certainly not true for all acquisitions, the Indian MOD and Armed forces tend to look for products that are:

- In-service and proven, preferably with the UK armed forces Equipment that can operate in extreme conditions especially heat, dust, cold and altitude;
- Equipment that is easy to be trained on and to operate;
- Systems that can be manufactured/repaired/upgraded in India;
- Equipment that will last a long time and can be supported throughout its expected service.

ECONOMIC BACKGROUND (2009 FIGURES)

GDP ($BN): 1,430.02 (2010) 1,598.39 (2011) 1,762.29 (2012) 1,955.18 (2013) 2,174.43 (2014) 2,412.37 (2015)

Per capita GDP ($): 1,176.06 (2010) 1,296.68 (2011) 1,410.64 (2012) 1,544.72 (2013) 1,695.64 (2014) 1,856.76 (2015)

DEFENCE ECONOMICS

Defence Budget: £31.9bn (2010)

% of GDP on Defence: 2.12%

THE INDIA DEFENCE MARKET AND HOW TO DO BUSINESS

The following general information is intended as a preliminary guide to help UK defence companies understand the India Defence Market. It is not intended to be exhaustive.

The India Defence Market
India presents a promising market for defence exports. Although much equipment is supplied from Russia there is an increasing tendency to look West to fulfil requirements particularly where the UK and others can deliver technology not available to India. Finance and pricing are critical factors whose importance cannot be overstated. Proposals for the manufacture of components or sub-systems in India will be well received. Indeed significant direct sales (other than niche products) are unlikely without a licensed manufacturer, transfer of technology (TOT), co-production or similar sort of agreement.

Fundamentals Needed to Succeed in the India Defence Market
It is worth considering four elements in your approach:

– **Partnership**
Relationships are key to doing business in India and the Indian government has stated on a number of occasions a wish to expand the indigenous defence capability. Partnerships with Indian companies both public and private are essential to future business;

– **Perseverance**
The Indian approach to business requires a good deal of perseverance. Correspondence can often go unanswered and meetings can be cancelled at the last minute. The Hawk deal is an excellent example, as it took nearly 18 years for the sale to be completed but the £800m contract now seems worth the effort;

– **Patience**
This is important for meaningful business, as the Indian bureaucracy is painfully slow. Problems are usually delegated rather than decisions being made. Indian industry is the opposite in that it is flexible and proactive.

Professionalism
The Indians are very smart customers. Amateurs will not be entertained. Despite these challenges the market is massive and the rewards substantial. It is important that regular contact is maintained with our First Secretary (Defence Equipment Cooperation) at our High Commission in Delhi or the Deputy High Commission/Trade Offices throughout India.

Initial Approach
The initial approach should be made in different ways dependent on the customer:

– **Defence forces**
Write to the directorate concerned, copy your correspondence to the appropriate Adviser at the Indian High Commission in London. Try to summarise the product: if it is in service with other defence forces around the world say so;

– **Defence Manufacturing companies**
Write to the General Manager of the appropriate division, also send a copy to the managing Director at the complex in which the division operates;

– **Defence Research and Development Organisation**
The DRDO enjoys reasonable autonomy in procurement, therefore correspondence should be sent to the Director of the appropriate establishment and copied to the Technical Adviser (Defence) at the Indian High Commission.

In all cases, please also copy correspondence to the appropriate India Desk Officer at UKTI DSO and FSDS Delhi. This will be handled in the strictest confidence.

Visit Security Clearance
Further guidance and the required forms are at:
http://www.mod.uk/DefenceInternet/AboutDefence/WhatWeDo/SecurityandIntelligence/DESPSYA/InternationalVisitsControlOffice.htm

ARMED FORCES – MILITARY STRENGTH

Active	1,325,000
Army	1,129,000
Navy	58,350
Air Force	127,200
Coast Guard	9,550
Paramilitary	1,300,586
Reserve	**1,155,000**
Army	960,000
Navy	55,000
Air Force	140,000
Paramilitary	987,821

Source IISS and the Military Balance 2010

SECURITY ISSUES

Involvement in overseas deployments:
Afghanistan, Arabian Gulf and Indian Ocean, Cote D'Ivoire, Democratic Republic of Congo, Lebanon, Sudan, Syria/Israel, Tajikistan, Timor-Leste.

DOMESTIC DEFENCE INDUSTRIAL CAPABILITY

India's defence industry, much of which is state-owned, has been steadily expanding. In 2001, the Indian Government took a major decision to open up the Indian defence manufacturing industry to the private sector. This allows, for the first time since independence, 100% private sector participation in the manufacture of defence equipment. This represents a significant policy-shift as, hitherto, the supply of defence equipment was reserved exclusively for the public sector. At the same time, the Government has decided to allow Foreign Direct Investment (FDI) of up to 26% in the defence private sector.

The Indian Ministry of Defence, by way of the Department of Defence Production controls 39 Ordnance Factories and 8 Defence Public Sector Undertakings (DPSU).

While it is not essential to partner with a public sector company the DPSUs still dominate the indigenous defence sector and are tasked with fulfilling the majority of 'Buy & Make' and 'Make' tenders from the IMOD. The DPSU's are as follows:

DPSU's
Hindustan Aeronautics Ltd (HAL)
Bharat Electronics Limited (BEL)
Bharat Earthmovers Ltd (BEML)
Bharat Dynamics Limited (BDL)
Mazagon Dock Ltd (MDL)
Garden Reach Shipbuilders & Engineers Ltd (GRSE)
Goa Shipyard Ltd (GSL)
Mishra Dhata Nigam Ltd (MIDHANI)

(Contact details for the DPSUs and the Ordnance Factory Boards can be found in the 'Websites' section of this document.)

India's defence industry is undoubtedly very effective in the provision of ammunition, light vehicles, power plants, and general stores, but is apparently unable to develop major high technology equipments to the production stage in a cost-effective and timely manner. There is no effective programme management and budgeting approach apparent in the development and production process. Indian defence planners have habitually set their sights far too high, resulting in substantial cost increases and inordinate delays. The Tejas Light Combat Aircraft (LCA), for example, was originally scheduled to enter production in 1994, but is still at the technology demonstrator stage.

DEFENCE IMPORTS AND EXPORTS 2005-09

India Defence Import Procurement:
Total: $22.9BN

Top Five Country Suppliers	($BN)/Market Share
Russia	10.8 (47%)
France	4 (17%)
Israel	3.3 (14%)
USA	2.9 (13%)
UK	0.7 (3%)

Identified India Defence Exports:
Total: $0.2BN

COMPETITORS

The Indian defence market is targeted aggressively by the global competition. With some estimates suggesting India is forecast to import US$50 billion worth of defence equipment over the next 5 years, it is not a surprise that so many companies are courting it. Currently, about 70% of procurement in value terms is from foreign sources. In the near term, foreign companies are likely to continue to have an edge in the supply of defence equipment and technology.

US corporate giants such as GE, Lockheed, Boeing, Raytheon and UTC (Sikorsky) are very active in-country building on long-established relationships, of which a few examples are provided below:

i) GE's global businesses have a prominent presence in India, participating in a wide range of manufacturing, services and technology businesses and seeking partnership opportunities. GE's revenues in India are approximately US$2.6 billion and it employs over 12,000 people across the country.

ii) Boeing's close relationship with India goes back over 60 years, forged out of commercial aerospace ties. Boeing established a wholly owned Indian subsidiary – Boeing International Corporation India Private Limited in 2003 to support the growing demands of India's aerospace industry. In June 2010, Boeing announced a new VP for Boeing Military Aircraft India, who will have responsibility for managing and expanding the BMA product-line in India including P-8I maritime patrol aircraft, F/A-18IN, C-17 transport a/c to be bought by the IAF, Apache and Chinook helicopters, clearly highlighting the scope of their activity. US giants Boeing and Lockheed Martin are contesting the MMRCA competition that includes Eurofighter.

iii) Lockheed also has a high profile in-country: it recently announced its extended support for the landmark Indian Innovation Growth Programme, which boosts Indian technical breakthroughs by helping transition them to market. In collaboration with the Indian Ministry of Science and Technology, Lockheed Martin is extending support for the programme through 2012.

India is one of Russia's "strategic" customers and has been responsible for a significant volume of its export business, but more recently India has sought to diversify its supplier base whilst still giving Russia some business – notably the Gorshkov aircraft carrier, a fleet of MiG-29 fighters, defence and space technology.

Israel is a major defence supplier to India. In the past decade, it is estimated that the value of Indian defence deals signed with Israel has totalled U$10bn+. In fact, during 2007/2008, Israel displaced Russia as the number-one supplier of military equipment to India after breaking the US$1bn mark in new contracts signed annually. These contracts overhauled the Russian average of US$875m for both years.

Despite the Franco-Indian strategic partnership, France is lagging somewhat behind India's other defence suppliers, but it is rigorously pursuing a number of opportunities: it hopes to finalise a deal to upgrade Indian Mirage 2000-5 aircraft (US$2bn) before President Sarkozy's visit in December 2010, and is championing Dassault's Rafale in the US$10bn MMRCA programme. The French are also eyeing the Navy's US$10bn submarine building programme, for which formal tenders are expected to be floated by year's end. Some French companies, eg. Thales, has been active in India for many years, since 1953 through predecessor companies. It currently employs over 230 employees and, in accordance with the Thales multi-domesticity policy, has operated through "Thales India Private Limited" since January 2009.

Source: Various Indian media and Deloitte/Confederation of Industry, 2010.

PROCUREMENT ORGANISATION

The Indian Defence Procurement Organisation have the following bodies:

i) Defence Acquisition Council (DAC)

ii) Defence Procurement Board (DPB)

iii) Defence Production Board (DPB)

iv) The Defence R&D Board

Defence Acquisition Council (DAC)
Defence Acquisition Council was constituted in August, 2001. DAC is the highest body headed by the Raksha Mantri (Defence Minister) which oversees the entire acquisition process for the Armed Forces. It approves the long-term perspective plans and accords the acceptance of necessity in each case of capital acquisition. This process of according the Acceptance of Necessity (AON) involves categorization of items into "Buy", "Buy & Make" and "Make". This process of approving the categorization is the starting point of the acquisition process. Decisions that follow from here are implemented under the overall supervision of DAC by the Defence Procurement Board, Defence Production Board and the Defence R&D Board.

Defence Procurement Board (DPB)
The Defence Procurement Board is the body which oversees all activities related to procurement on capital account in the Department of Defence flowing out of the "Buy" and "Buy & Make" decisions of the DAC. It functions mainly as a coordinating, supervising and monitoring body for the procurement process undertaken by the Acquisition Wing of the Department of Defence for the "Buy" and "Buy & Make" categories. In this process, it has the responsibility of approving the Annual Acquisitions Plans for the three Services. It essentially accords approvals to all major projects which are beyond the powers of the Raksha Mantri and require the approval of CCS or the Minister of Defence and Minister of Finance. Its functioning is governed by the Defence Procurement Procedure (DPP), which was modified in the year 2006. The Defence Secretary is the Chairman of this Board. Its Members include representatives from the various Departments in the Ministry of Defence, the three Wings of the Armed Forces, Chief of Integrated Defence Staff and the Member Secretary is the Financial Advisor in the Acquisition Wing of the Department of Defence.

Defence Production Board
Defence Production Board is a body, which is tasked to oversee indigenous manufacture and it derives its powers from the direction given by the DAC in respect of the categories of "Make" and "Buy & Make". It is expected to closely monitor the "Make" projects, advise the DAC on policy issues regarding licensed production, ToT and new development projects. Its membership is very similar to the Defence Procurement Board with the exception that the Chairman OFB and some CMDs of the DPSUs are also included. The Member Secretary of the Defence Production Board is the Director, Planning & Coordination, in the Department of Defence Production.

Defence R&D Board
The Defence R&D Board has been constituted essentially to monitor and report on indigenous R&D proposals flowing out of the "Buy & Make" and "Make" decisions of the DAC. It is a body that is expected to work closely with the Defence Production Board and to ensure that the transfer of technology from the laboratory to the factory is done in the most effective manner. The Chairman of this Board is the Scientific Advisor to RM and Secretary, R&D. Its Members are similar to the other two Boards with the exception that certain distinguished scientists have been included. The Member Secretary of this Board is the Chief Coordinator, R&D, in the DRDO Headquarters.

The Acquisition Wing of MOD/DOD
The Acquisition Wing of the Department of Defence is the main secretariat that provides the necessary inputs to the Defence Procurement Board. This wing is headed by an officer of the rank of Special Secretary or Addl. Secretary and is assisted by Financial Adviser (Acquisition) in the rank of Addl. Secretary and three Acquisition Managers, three Technical Managers and three Financial Managers, dealing with Land systems, Air and Maritime & Systems respectively, all in the rank of Joint Secretary.

The Acquisition Wing essentially deals with cases, which have been categorized as "Buy" or "Buy & Make". The guiding principles of procurement through the Acquisition Wing are contained in the notified Defence Procurement Procedure 2006.

Current Acquisition Practices

Presently Acquisition in MOD can be clearly demarcated into two separate sections. Firstly, the proposals being dealt with by the Acquisition Wing of the MOD, which is essentially functioning as a Procurement (Buying) Agency of MOD and therefore deals only with "Buy" and "Buy & Make" category of items.

The second section is dealing with the "Make" category, which is essentially an acquisition process, akin to the acquisition procedure followed in major weapon producing countries.

OFFSET POLICY

On the 1st September 2006 the Indian MOD released a new procurement procedure and offset policy. The current policy is for 30% direct offset on all contracts over rs300 crore (£37m approx). Currently the offset policy makes no provision for transfer of technology, offset multipliers, credit banking or indirect offset.

All offset work must be undertaken by either a Defence Public Sector Undertaking (DPSU) or by a private company approved by the Indian Ministry of Defence. A selection of Indian firms that have been approved in the first tranche are below:

Offset Accredited Firms in India

Ranking	Company	Location
1	**Ramoss India**	New Delhi
2	**Larsen & Toubro Ltd**	Mumbai
3	**Mahindra & Mahindra Ltd**	New Delhi
4	**Max Aerospace & Aviation Ltd**	Mumbai
5	**Anjani Technoplast Ltd**	Noida
6	**TIL Ltd**	Kolkata
7	**Southern Group Industries Pvt Ltd**	Chennai
8	**Automotive Coaches and Cantonments Ltd**	Chennai
9	**HBL Power Systems Ltd**	Hydrabad
10	**Tata Motors Ltd**	Mumbai
11	**BF Utilities Ltd**	Pune
12	**TSL Defence technologies Pvt Ltd**	New Delhi
13	**Vectra Engg Materials Pvt Ltd**	New Delhi
14	**RMX Bridport Defence Systems Pvt Ltd**	Bangalore
15	**VXL Technologies Ltd**	Faridabad
16	**Memory Electronics Pvt Ltd**	Mumbai
17	**IDT Ltd**	New Delhi
18	**Alpha ITL Electro Optics Pvt Ltd**	Bangalore
19	**Alpha Phazotron Radar Equipment & Systems Pvt Ltd**	Bangalore
20	**Indtech Constructions Pvt Ltd**	New Delhi
21	**Tata Power Company Ltd**	Mumbai
22	**Alpha Design Technologies Pvt Ltd**	Bangalore

Source – India Defence website

For more information on offset please see the Indian Defence Procurement Procedure 2006 or contact the DSO India Desk Officer.

KEY PERSONALITIES

Raksha Mantri (Defence Minister)	Shri A K Antony
Raksha Rajya Mantri (Minister of State for Defence)	Shri M.M. Pallam Raju
Defence Secretary	Shri Pradeep Kumar
Addl. Secretary	Shri Radha Krishna Mathur
Director General (Acquisition)	Shri Vivek Rae
Joint Secretary & Acqusition Manager (Air)	Shri Ranjan Kumar Ghose
Joint Secretary. (G/Air)	Shri Subhash Chandra
Joint Secretary (C&W) & CVO	Shri Ashok Kumar Gupta
Joint Secretary (Navy/Ordnance)	Shri Binoy Kumar
Joint Secretary (PIC)	Smt. Smita Nagaraj
Joint Secretary & Acquisition Manager (Land System)	Shri Jatinderbir Singh
Joint Secretary (Trg)	Shri Upamanyu Chatterjee
Joint Secretary (Estt) & Public Grievances	Shri Arun Kumar Bal
Joint Secretary & Acquisition Manager (Maritime Systems)	Smt. Preeti Sudan
Secretary Border Road Development Board & JS	Shri Subhash Sharma
Adviser(Statistics)	Shri K.L.Taneja
Technical Manager (Land Systems)	Maj. Gen I.S.Chaturvedi
Technical Manager (Maritime & Systems)	Rear Admiral B.R. Taneja
Technical Manager (Air)	AVM J.S. Panesar

Source – India Ministry of Defence website

FURTHER INFORMATION

If you require further information/clarification on anything in this Fact Sheet please contact:

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BD Market Analysis
UK Trade & Investment
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UK

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OTHER USEFUL CONTACTS

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UKTI Defence & Security Organisation

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Desk Officer RD Central
UKTI Defence & Security Organisation

T: +44(0)207 215 8062

Indian Embassy London

High Commission of India
India House
Aldwych
London
WC2B 4NA

British Embassy Delhi

British High Commission
Chanakyapuri
New Delhi 110021

T: (91) (11) 2419 2100

Attaché (Defence Equipment Co-operation)

T: 0091112419 2384

Internet:
http://ukinindia.fco.gov.uk

OTHER USEFUL WEBSITES

UKTI DSO
www.ukti.gov.uk

Foreign and Commonwealth Office
www.fco.gov.uk

Ministry of Defence
www.mod.uk

UK Trade and Investment
www.ukti.gov.uk

UKTI Doing Business in India Guide
http://www.ukti.gov.uk/export/countries/asiapacific/southasia/india/item/

Indian Government Websites

Indian Ministry of Defence
www.mod.nic.in

High Commission of India, London
www.hcilondon.org

Indian Army
www.indianarmy.nic.in

Indian Navy
www.indiannavy.nic.in

Indian Air Force
www.indianairforce.nic.in

Indian Coastguard
www.indiancoastguard.nic.in

Consortium of Indian Military Websites
www.bharat-rakshak.com

Defence Research & Development Organisation
www.drdo.org

Indian Private Sector Websites

India Defence
www.india-defence.com

Confederation of Indian Industry
www.ciionline.org

Society if Indian Aerospace Companies
www.siatiaero.com

Directory of Indian Suppliers
www.indianindustry.com

Defence Public Sector Undertakings (DPSU)

Hindustan Aeronautics Ltd
www.hal-india.com

Garden Reach Shipbuilders & Engineers Ltd
www.grse.nic.in

Goa Shipyard Ltd
www.goashipyard.com

Mazagon Dockyard Ltd
www.mdlindia.com

Ordnance Factories Board
www.ofbindia.gov.in

Bharat Electronics Limited (BEL)
www.bel-india.com

Bharat Dynamics Limited (BDL)
www.bdl.ap.nic.in

Bharat Earthmovers Ltd (BEML)
www.bemlindia.com

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