

India Defence, Aerospace & National Security 2026

Markets, procurement, indigenisation, technology, investment
and regulation

CUT-OFF 30 September 2026

₹7.85 L cr

MoD budget BE 2026-27

₹1.78 L cr

Defence production FY26

₹38,424 cr

Defence exports FY26

₹7.6 L cr

DAC AoNs Feb-Sep 2026

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01

CHAPTER 01 Executive summary

India's defence market is larger on paper than in practice. The FY2026-27 Ministry of Defence budget of ₹7.85 lakh crore contains only ₹1.85 lakh crore of capital acquisition, of which ₹1.39 lakh crore is reserved for Indian industry. Against that, the Defence Acquisition Council cleared about ₹7.6 lakh crore of proposals in four meetings between February and September 2026. The gap between approvals and annual spending is the central fact for any supplier, investor or foreign OEM.

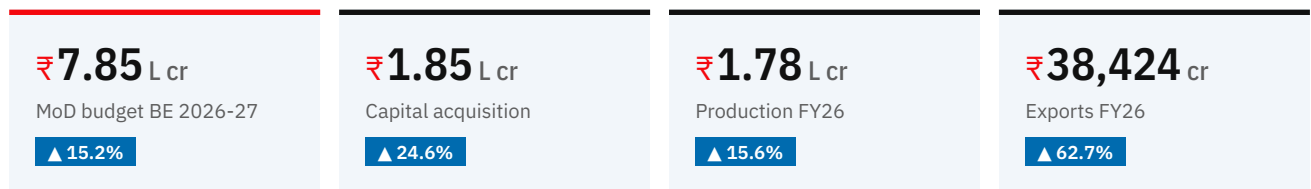
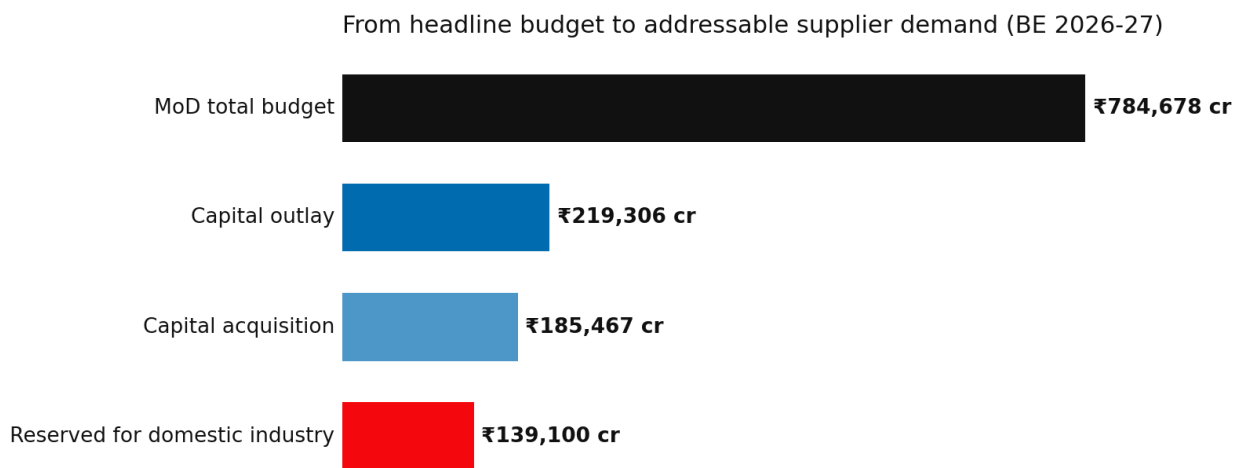


FIGURE 1 Headline budget versus addressable supplier demand, BE 2026-27



Domestic reservation = 75% of capital acquisition; capital acquisition = 23.6% of total MoD budget

Source: Union Budget 2026-27 as tabulated by MP-IDSA (Feb 2026); PIB (1 Feb 2026). Author's calculation of percentages.

Findings

- 01 Read the budget in layers.** Pensions (21.8%), pay and maintenance are not supplier markets. Capital acquisition is 23.6% of the MoD budget; the domestic-industry reservation is 17.7% of it.

- 02 Approvals far exceed cash.** AoNs of about ₹7.6 lakh crore in 2026 alone, on top of ₹6.73 lakh crore across 55 proposals in FY2025-26, compare with ₹1.85 lakh crore of annual capital acquisition. Conversion speed is the investment variable.
- 03 The rulebook is mid-change.** DAP 2020 governs live procurement; a draft DAP 2026 (released 10-11 February 2026) would raise indigenous content in the top category from 50% to 60%, define indigenous design, add technology-readiness-level routes and two-stage trials, and drop offsets. No notified final text was found by 30 September 2026. The Defence Procurement Manual 2025, covering about ₹1 lakh crore a year of revenue procurement, took effect on 1 November 2025.
- 04 Demand is tilting to aircraft, sensors and weapons.** FY27 capital heads for aircraft and aero engines (+31.1%) and other equipment (+30.3%) grow about 30%; the naval fleet head grows 2.6%.
- 05 Production is state-led; exports jumped on state deliveries.** DPSUs and other PSUs made about 76% of FY26 output. DPSU exports rose 151% to ₹21,071 crore while private exports rose 14% to ₹17,353 crore.
- 06 Supplier gaps are engines, marine turbines, RF electronics and spares.** Roughly half of the 33,000 items offered on SRIJAN remain unindigenised; Tejas Mk1A deliveries wait on imported engines.
- 07 Foreign capital has not followed the policy.** Cumulative FDI in defence industries was only \$32.29 million between April 2000 and March 2026; DPIIT confirmed on 31 August 2026 that it is consulting on easing norms.
- 08 Internal security is a separate, growing market.** The seven CAPFs are budgeted ₹1,16,789 crore in FY27 and Home Ministry capital outlay is ₹21,272 crore, up 84% from FY2024-25.

■ What this means, by reader

Reader	Main implication	First action
Indian manufacturers and MSMEs	Spares, components and sub-tier supply to DPSUs are the funded, lower-risk entry points (SRIJAN, sixth Positive Indigenisation List)	Register on SRIJAN and DPSU vendor lists; map product to open list items
Startups	iDEX has 676 innovators and 551 contracts; draft DAP 2026 promises five years of assured orders for Make and iDEX projects, but it is not yet in force	Target counter-UAS, loitering and autonomy challenges; keep IP clean
Foreign OEMs	Design ownership and Indian IP access are becoming the test; licensed build alone may not qualify for the top category	Structure JV or ToT with Indian design content; watch FDI easing
Investors	Order books are large (HAL ₹2.54 lakh crore) but conversion and working capital are the constraint	Track AoN-to-contract time, receivables and engine supply, not headline AoNs
Advisers and counsel	Five instruments changed in 12 months: DPM 2025, draft DAP 2026, Security Manual 2025, FDI consultation, sixth PIL	Maintain a live regime tracker per transaction

HOW TO USE THIS REPORT

Every figure is labelled by type (budget, AoN, contract, production, export, order book) and by date. Where a number could not be confirmed against a government source it is marked "not verified" rather than estimated. Appendix C lists open verification items.

CHAPTER 02

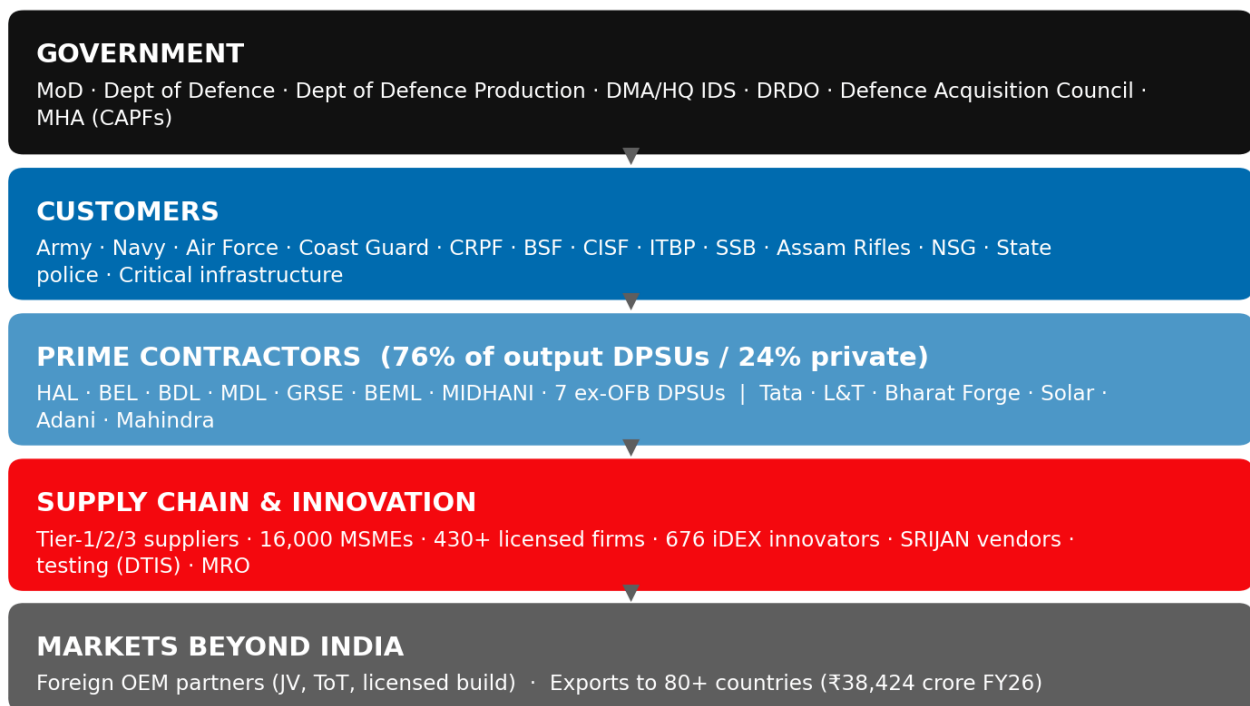
02

Scope, definitions and how to read the numbers

This report treats India's defence and security economy as five layers with different customers, budgets and buying rules. It never adds them into a single market size, because doing so would combine a pension liability, a warship contract and a police CCTV tender.

FIGURE 2

The Indian defence and security ecosystem



Source: Author's synthesis; production share from PIB (17 June 2026); MSME and licensing counts from MoD (March 2025); iDEX count from Rajnath Singh (27 September 2026).

Layer	Included	Customer and rulebook
Core defence	Army, Navy, Air Force, tri-service and strategic capability, DRDO	Ministry of Defence; DAP for capital, DPM for revenue purchases
Maritime security	Coast Guard, coastal and port surveillance, offshore security	MoD and Coast Guard; DAP
Internal security	Seven CAPFs (CRPF, BSF, CISF, ITBP, SSB, Assam Rifles, NSG); state police	MHA and state governments under their own procurement rules
Critical infrastructure	Airports, ports, power, oil and gas, nuclear, telecom, data centres	Public and private operators

Layer	Included	Customer and rulebook
Dual-use technology	Space, AI, cyber, drones, geospatial, robotics, advanced electronics	Defence and civil buyers

■ Which figure means what

Figure	What it measures	Do not read it as
MoD outlay ₹7,84,678 crore (BE FY27)	Government budget authority, including pay, pensions and operations	Addressable market
Capital acquisition ₹1,85,467 crore (BE FY27)	Modernisation budget; ₹1,39,100 crore reserved for domestic industry	Contracts signed
AoN value (₹1.10 lakh crore on 7 Sep 2026)	Ceiling of proposals cleared to issue RFPs	Spending or orders
Contracts signed (₹2.28 lakh crore in FY26, reported)	Binding awards	Deliveries or revenue
Production ₹1.78 lakh crore (FY26)	Industry output by value, DPSU and private	Government spend
Exports ₹38,424 crore (FY26)	Realised defence exports	Profit or foreign-OEM revenue
Order book	Company-reported unexecuted contracts	Revenue; includes multi-year execution

■ Method and conventions

- ◆ Cut-off is 30 September 2026. Currency is Indian rupees; one crore is ten million and one lakh crore is one trillion rupees. Financial years run April to March.
- ◆ Primary sources (Union Budget, PIB, Standing Committee, PRS and MP-IDSA analyses of government documents, SIPRI) are preferred. Company figures come from results releases as reported in the financial press and should be checked against filings.
- ◆ BE means Budget Estimate, RE Revised Estimate. Different sources classify capital outlay differently (PRS reports ₹2,31,010 crore including MoD civil capital; MP-IDSA reports ₹2,19,306 crore for Defence Services capital outlay). Both are shown where used.
- ◆ This is a research report, not legal or investment advice, and it makes no investment recommendation.

CHAPTER 03

03 Strategic environment and demand drivers

The purpose of this chapter is narrow: to explain why particular categories of expenditure are rising, not to assess geopolitics. Four verified developments shape FY2026-27 demand.

■ Drivers and their procurement consequences

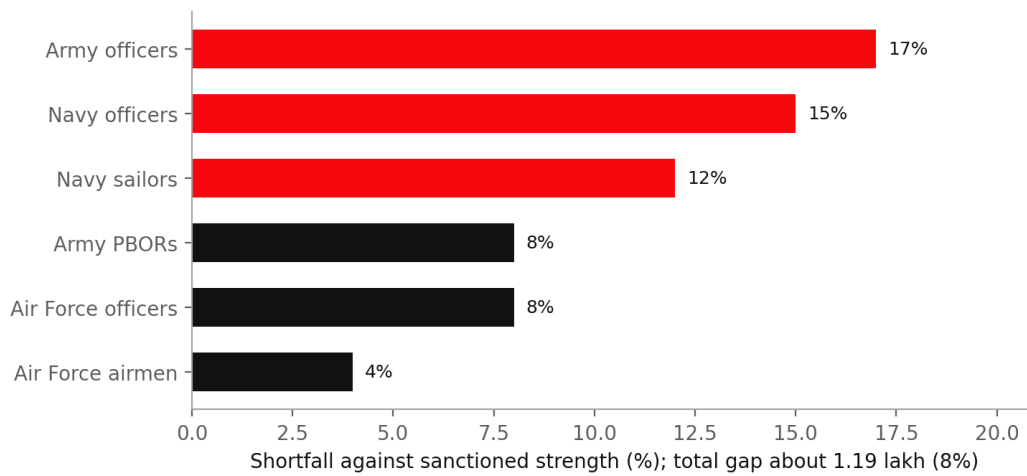
Driver	Verified evidence	Procurement consequence
Air combat capability gap	IAF had 31 active fighter squadrons against 42 authorised as of Dec 2024; Standing Committee said at least 180 more fighters are needed and about 130 trainers are short	114 Rafale (AoN Feb 2026), Tejas Mk1A, Medium Transport and strike aircraft AoNs
Drone and swarm threat	791 drone intrusions along the international border in 2025 (237 neutralised), mainly in Punjab and Rajasthan; drone swarms used against military areas in the May 2025 conflict	Counter-UAS (Akash Tarang AoN, July 2026), loitering munitions, EW; Mehar Baba competition led to a ₹300 crore swarm-drone order
Maritime expansion in the Indian Ocean	China commissions over 15 vessels a year; Pakistan is modernising with Chinese and Turkish systems; 53% of Indian Navy vessels are over 15 years old	Project 75(I), six P-8I, 26 Rafale-M (₹63,000 crore, April 2025), 58 ships under construction and 62 more approved
Regional arms build-up	Pakistan's military spending grew 11% to \$11.9 billion in 2025, driven by aircraft and missile orders from China after the May 2025 conflict	Air defence (S-400 AoN, MRSAM, V-SHORADS), long-range fires
Import dependence and supply security	Russia was 36% of India's arms imports in 2020-24, down from 72% in 2010-14; India took 8.3% of global arms imports	Positive Indigenisation Lists; SRIJAN; 75% domestic reservation

Source: PRS Legislative Research, Demand for Grants 2026-27 Analysis: Defence (17 February 2026); SIPRI Military Expenditure Database, April 2026; DAC releases.

■ Force-structure indicators

Indicator	Value	Source date
Indian Navy ships and submarines / aircraft	137 / 264	2025
Coast Guard ships / aircraft	151 / 78	2025
Army equipment mix: new-generation / current / older	15% / 40% / 45% (ideal 30 / 40 / 30)	Standing Committee, 2023
Sanctioned strength across three services	14,95,645; shortfall about 1.19 lakh (8%)	Oct 2024
Army authorised strength	About 12.5 lakh	2026
Defence pensioners	32,94,181	2026

FIGURE 3 Personnel shortfall against sanctioned strength, by category



Source: PRS analysis of Standing Committee on Defence, Eighth Report (March 2025). Army officer data July 2024; Navy October 2023; others October 2024.

WHY THIS MATTERS COMMERCIALY

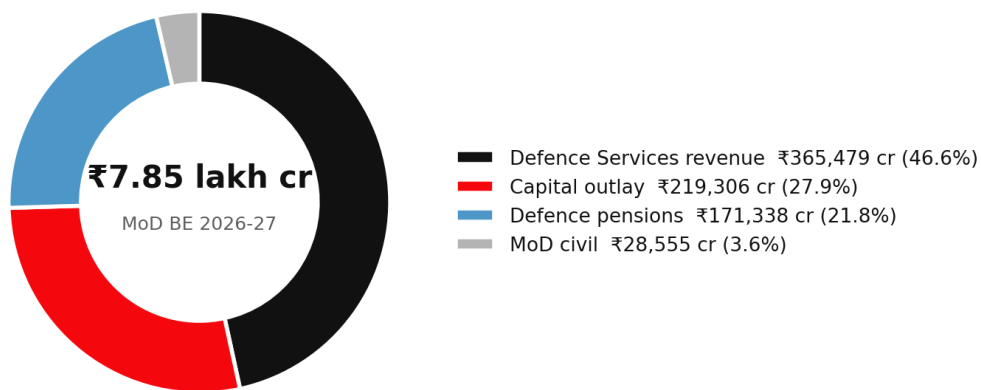
Personnel shortages and the four-year Agnipath tenure push capability towards unmanned systems, automation, simulation and training. All new recruitment at the level of personnel below officer rank now runs through Agnipath; at least 75% of Agniveers leave without a pension.

CHAPTER 04

04 Defence budget, expenditure and modernisation

The MoD Budget Estimate for FY2026-27 is ₹7,84,678 crore, up 15.2% on the FY2025-26 BE and 7% on the FY2025-26 Revised Estimate. Capital outlay on Defence Services rises 21.8% to ₹2,19,306 crore. Defence is 14.7% of central government expenditure and about 2.0% of GDP (1.6% excluding pensions).

FIGURE 4 MoD budget by head, BE 2026-27



Head (₹ crore)	BE 2025-26	BE 2026-27	Change	Share of FY27
Defence Services revenue	3,11,732	3,65,479	+17.2%	46.6%
Capital outlay on Defence Services	1,80,000	2,19,306	+21.8%	28.0%
Defence pensions	1,60,795	1,71,338	+6.6%	21.8%
MoD (civil)	28,683	28,555	-0.4%	3.6%
Total MoD	6,81,210	7,84,678	+15.2%	100%

Source: Union Budget 2026-27 as tabulated by MP-IDSA, 'Ministry of Defence 2026-27 Budget Estimates: An Analysis' (26 February 2026).

■ Composition by economic category (PRS classification)

₹ crore	2024-25 actual	2025-26 RE	2026-27 BE	Change RE to BE
Salaries	1,62,384	1,66,064	1,71,044	3%

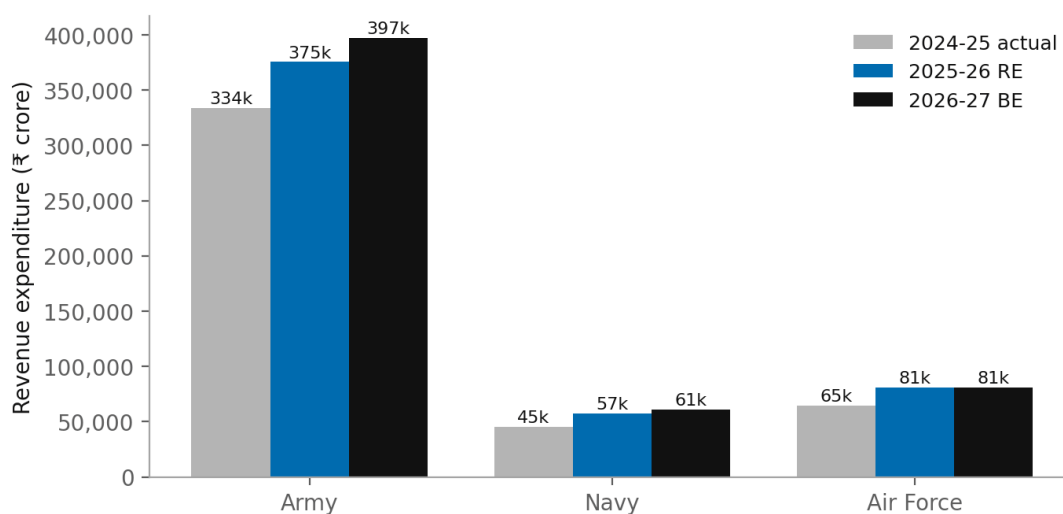
₹ crore	2024-25 actual	2025-26 RE	2026-27 BE	Change RE to BE
Pensions	1,57,654	1,69,187	1,71,338	1%
Capital outlay (incl. MoD civil)	1,70,617	1,97,417	2,31,010	17%
Maintenance (stores, works, repairs, refits)	83,220	93,321	92,870	0%
Other expenses	62,128	1,06,523	1,18,416	11%
Total	6,36,003	7,32,512	7,84,678	7%

Source: PRS Legislative Research, Demand for Grants 2026-27 Analysis: Defence.

Two points affect interpretation. First, 'Other expenses' jumped because the FY2025-26 Revised Estimate includes ₹36,131 crore of spectrum charges payable to the Department of Telecommunications, and FY27 carries ₹37,200 crore; this inflates the headline growth without adding equipment demand. Second, salaries and pensions together are 44% of FY27 spending, and the Eighth Pay Commission is expected to add pressure from 2026.

■ Service-wise revenue expenditure

FIGURE 5 Revenue expenditure by service (₹ crore)



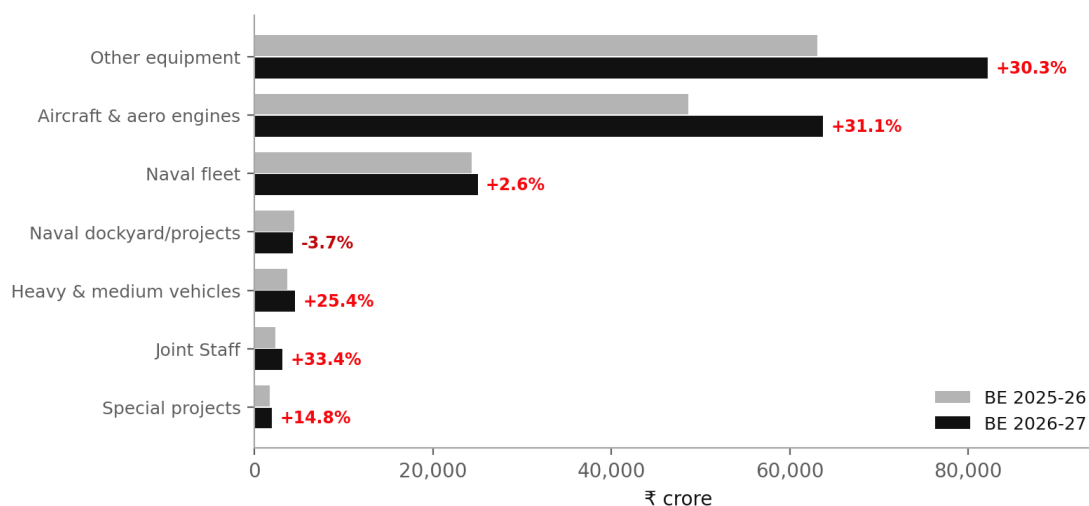
Service (₹ crore)	2024-25 actual	2025-26 RE	2026-27 BE	Change	Salary share of service revenue	Pension share
Army	3,33,761	3,75,416	3,96,977	+6%	33%	38%
Navy	45,299	57,060	61,216	+7%	22%	16%
Air Force	64,690	80,756	80,796	0%	28%	22%
Others (ordnance, R&D, civil)	21,604	16,965	17,601	+4%	-	-
Total	4,65,355	5,30,197	5,56,590	+5%		

Source: PRS Legislative Research; Expenditure Budget 2026-27. Total revenue expenditure includes pensions.

NOTE The first brainstorm note in this project quoted Army ₹2.43 lakh crore, Navy ₹46,800 crore and Air Force ₹63,150 crore. Those figures do not reconcile with the Expenditure Budget and are not used.

Capital acquisition: where the modernisation money goes

FIGURE 6 Capital acquisition heads, BE 2025-26 versus BE 2026-27 (₹ crore)



Capital head (₹ crore)	BE 2025-26	BE 2026-27	Change
Other equipment (guns, tanks, electronics, radars, surveillance)	63,099	82,218	+30.3%
Aircraft and aero engines	48,614	63,734	+31.1%
Naval fleet	24,391	25,024	+2.6%
Naval dockyard / projects	4,500	4,334	-3.7%
Heavy and medium vehicles	3,651	4,580	+25.5%
Joint Staff	2,353	3,139	+33.4%
Special projects	1,732	1,989	+14.9%
Rolling stock	500	450	-10.0%
Total capital acquisition	1,48,839	1,85,467	+24.6%

Source: MP-IDSA (26 February 2026), from Union Budget documents. From 2024-25 the Government consolidates service capital demands into common heads to promote jointness.

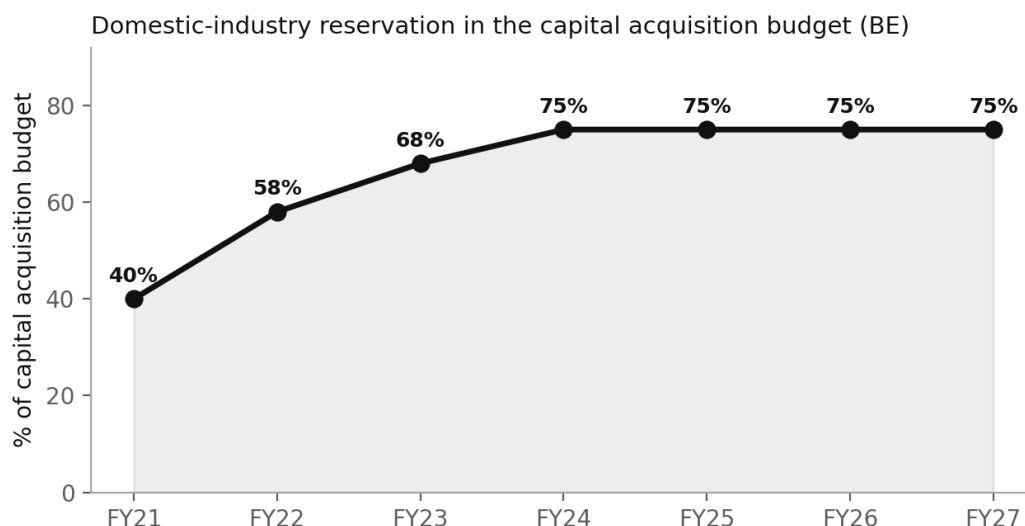
OTHER FY2026-27 BUDGET FACTS

- ◆ DRDO: ₹29,100 crore (from ₹26,817 crore); defence R&D capital outlay ₹17,250 crore (+15.6%), about 8% of capital outlay. R&D was 4.7% of defence expenditure in 2014-15 and is 3.7% in FY27; MoD has asked for about 10% over a decade.
- ◆ Border Roads Organisation capital works: ₹7,394 crore (from ₹7,146 crore in 2025-26 BE).
- ◆ Coast Guard: ₹8,393 crore, down 13% from ₹9,677 crore.
- ◆ Agnipath allocation for the Army: ₹15,174 crore, 6.8% of the Army revenue budget. Pay and allowances fell from 61.3% of the Army revenue budget in 2022-23 to 52.9% in FY27.

- ◆ Since 2022, 25% of the defence R&D budget is earmarked for industry, startups and academia.

■ Domestic reservation, absorption and committed liabilities

FIGURE 7 Share of the capital acquisition budget reserved for domestic industry



Source: MP-IDSA. FY2020-21 40%, FY2021-22 58%, FY2022-23 68%, 75% since. Over 70% of capital acquisition estimates since FY2020-21 (₹6,70,319 crore) have been earmarked for domestic procurement.

Budget is not spend. In FY2023-24 the MoD spent ₹1,54,256 crore on capital procurement against a ₹1,62,600 crore BE. In FY2024-25 it had spent ₹87,927 crore of a ₹1,72,700 crore BE by December 2024. The MoD reported ₹2.10 lakh crore of contracts concluded in 2025-26 up to December 2025, against ₹97,000 crore in the whole of 2024, which suggests contracting is accelerating.

Year	Committed liabilities (₹ crore)	Modernisation budget (₹ crore)	Shortfall
2016-17	73,553	62,619	15%
2017-18	91,382	68,965	25%
2018-19	1,10,044	73,883	33%
2019-20	1,13,667	80,959	29%

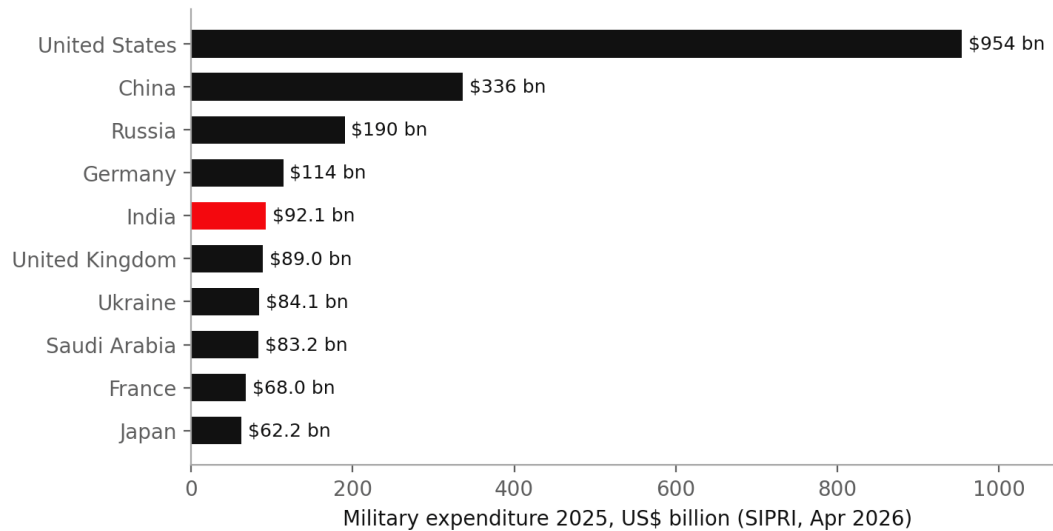
Source: PRS analysis of Standing Committee on Defence (2019). Committed-liability data has not been disclosed since 2019-20, which limits analysis of how much of FY27 acquisition budget is already spoken for.

ANALYST'S NOTE

Because committed liabilities from earlier contracts are not disclosed, the true free budget for new schemes in FY27 cannot be calculated. Treat the ₹1.85 lakh crore acquisition budget as an upper bound on new-order demand, not as a measure of it.

■ India in global context

FIGURE 8 World's top military spenders, 2025



Source: SIPRI, 'Trends in World Military Expenditure, 2025' (27 April 2026). World total \$2,887 billion, up 2.9% in real terms.

SIPRI ranks India fifth in 2025 at about \$92 billion, behind the United States (\$954 billion), China (\$336 billion), Russia (\$190 billion) and Germany (\$114 billion). China's spending is about 3.6 times India's. India's share of general government expenditure (7.6% in 2024) is well below Russia's or Saudi Arabia's, and the Standing Committee's recommended 3% of GDP has not been met.

INDIA VERSUS SELECTED PEERS

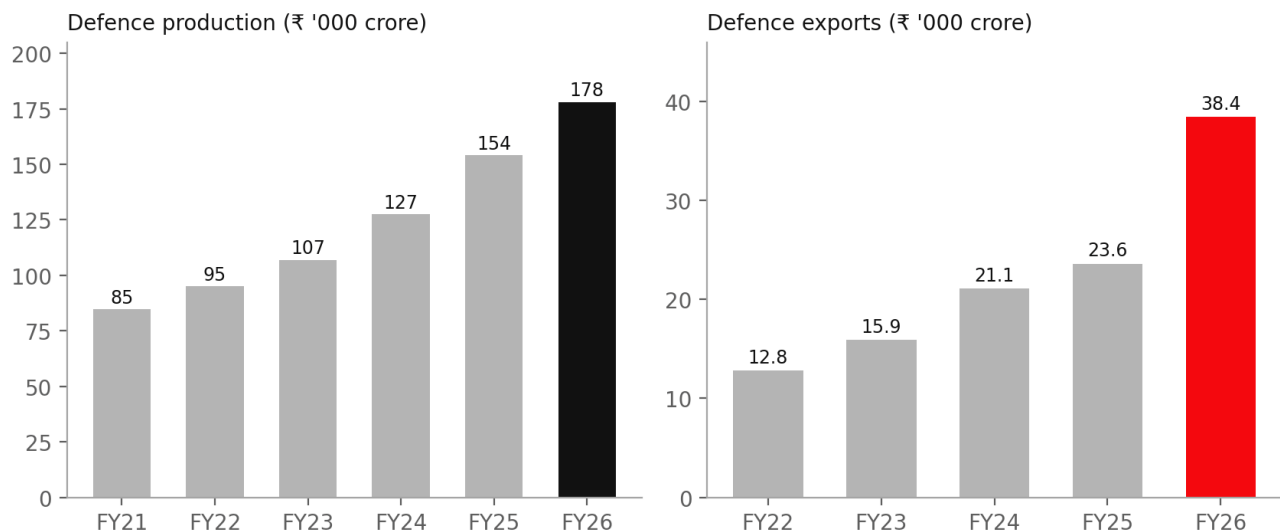
Country	Military spending 2025 (US\$ bn)	Share of government spending, 2024	Share of global arms exports, 2020-24
United States	954	9.1%	43%
China (SIPRI estimate)	336	5.1%	6%
Russia	190	18.9%	8%
Germany	114	3.9%	not verified
India	92.1	7.6%	0.2%
United Kingdom	89	5.3%	not verified
France	68	3.6%	10%
Japan	62.2	3.3%	not verified
Pakistan	11.9	13.8%	not verified

Source: SIPRI (April 2026) for 2025 spending; PRS citing SIPRI for 2024 government-spending shares and 2020-24 arms-export shares. Accounting definitions differ: SIPRI's figure for India includes paramilitary spending, and China's is an estimate that adds off-budget items to the official budget. Israel, South Korea and Turkey were not verified in this pass.

05 Production, exports and import dependence

India's recorded defence production reached ₹1.78 lakh crore in FY2025-26, up 15.6% on ₹1.54 lakh crore and 110% above FY2020-21's ₹84,643 crore. DPSUs and other PSUs accounted for about 76% and the private sector for about 24% (roughly ₹42,000 crore, a record). Exports reached ₹38,424 crore, up 62.66% on ₹23,622 crore.

FIGURE 9 Defence production and exports, FY2021 to FY2026



Source: PIB (17 June 2026 and 2 April 2026); Tribune/ANI for FY2023-24 and FY2024-25; Deccan Herald for FY2022-23; The Federal for FY2021-22 exports. FY2025 production was first reported at ₹1,50,590 crore and later revised to about ₹1.54 lakh crore.

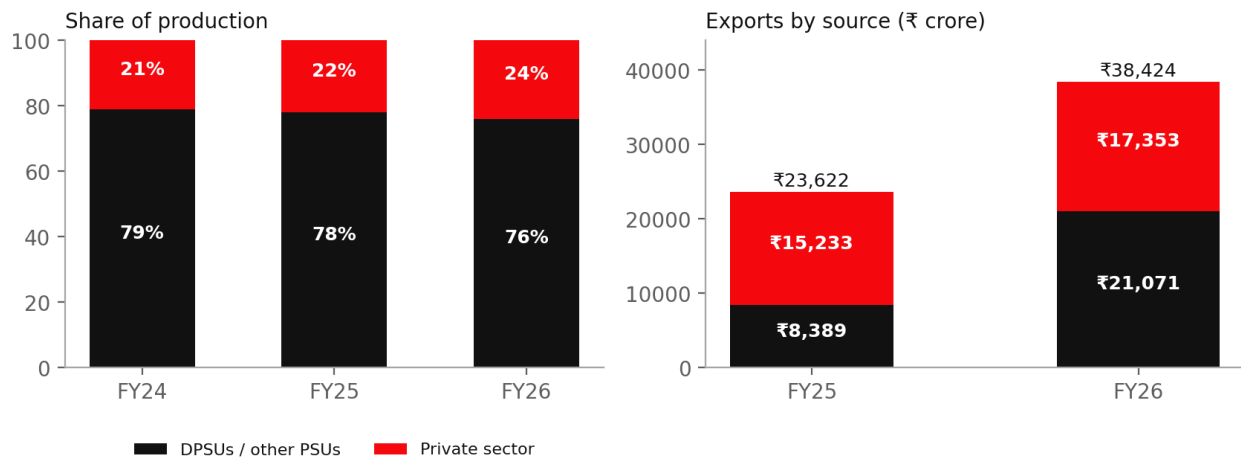
■ Six-year time series

Indicator	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Production (₹ crore)	84,643	~95,000	1,06,800 (initial)	1,27,434	~1,54,000 (rev.)	1,78,000
Private share of production	not verified	not verified	not verified	21%	22%	24%
DPSU / other PSU share	not verified	not verified	not verified	79%	78%	76%
Exports (₹ crore)	not verified	12,815	15,920	21,083	23,622	38,424
Exports: private (₹ crore)	not verified	not verified	not verified	not verified	15,233	17,353
Exports: DPSUs (₹ crore)	not verified	not verified	not verified	not verified	8,389	21,071

Indicator	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic share of capital acquisition budget	40%	58%	68%	75%	75%	75%

Source: As for Figure 9; domestic share from MP-IDSA. 'Not verified' means the figure was not confirmed against a government source in this research pass.

FIGURE 10 Private and DPSU shares of production and exports



Source: PIB releases of 17 June 2026 and 2 April 2026. Export split: FY2025 private ₹15,233 crore, DPSU ₹8,389 crore; FY2026 private ₹17,353 crore (45.16%), DPSU ₹21,071 crore (54.84%).

What the numbers say

- ◆ **The FY26 export jump was state-driven.** DPSU exports rose 151% against 14% for private firms. The private sector's share of exports fell from about 64% to 45%.
- ◆ **Targets are steep.** The Government aims for ₹3 lakh crore of production and ₹50,000 crore of exports by 2028-29. Production would need about 19% annual growth from FY2026, against about 13% over FY2022-26 and about 8% a year over 2016-17 to 2024-25 (PRS). Exports need only about 9% a year from the FY26 base, but that base includes large one-off DPSU deliveries.
- ◆ **Active exporters.** 145 firms held active export authorisations in FY2026 and India supplies more than 80 countries.
- ◆ **India is still a small arms exporter globally.** SIPRI puts India at 0.2% of global arms exports in 2020-24, against 43% for the United States, 10% for France, 8% for Russia and 6% for China.
- ◆ **Quality and reliance on imported components persist.** SIPRI observed in 2022 that Indian-designed platforms still rely on imported critical components such as engines and radars; a CAG audit found accidents involving small arms from ordnance factories between 2015-16 and 2019-20.

Imports and foreign procurement

Indicator	Value	Source
India's share of global arms imports, 2020-24	8.3%, second largest importer after Ukraine	SIPRI via PRS
Change in India's arms imports, 2015-19 to 2020-24	-9.3%	SIPRI via PRS

Indicator	Value	Source
Russia's share of India's arms imports	36% in 2020-24; 72% in 2010-14	SIPRI via PRS
Foreign share of modernisation spend	Over 35% average April 2014 to Dec 2024; 28% in 2023-24; about 50% in 2018-19	Standing Committee via PRS/MP-IDSA
Capital contracts signed 2023-24 and 2024-25 (to Dec 2024)	337 contracts, of which 12 with foreign vendors (Russia, US, France)	Standing Committee via PRS
Foreign procurement, FY2020-21 to Dec 2024	₹1,65,881 crore	Standing Committee via PRS
Domestic industry share of contracts, FY2024-25	92%	MP-IDSA citing PIB

NOTE No official annual series of defence import value was found. Most purchases are transacted in US dollars, and the rupee depreciated about 5.6% against the dollar between January 2025 and February 2026, which raises the effective cost of imports.

■ Delivery performance

Measure	Finding
MoD stated acquisition time (2024)	19 to 26 months, which the Standing Committee called stretched
CAG (December 2025), Army contracts examined	Deliveries were late in 72% of contracts
Light Combat Aircraft	Sanctioned 1983, inducted 2016; 83 Tejas Mk1A contracted 2021 for delivery from February 2024, since delayed
Project 75 submarines	Six boats due by December 2017, commissioned by January 2025
DRDO projects (CAG, 2022)	119 of 178 reviewed projects missed original timelines

Source: PRS analysis of Standing Committee and CAG reports.

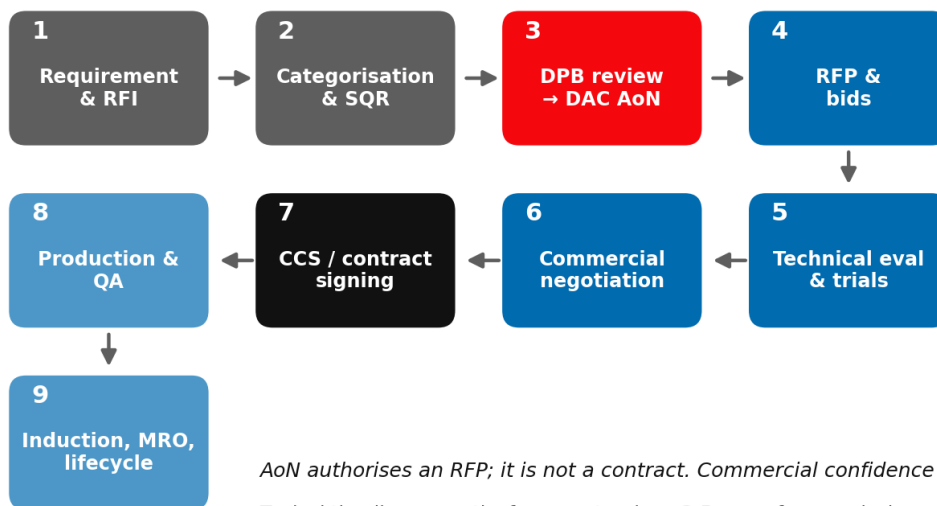
06 How India buys: institutions, DAP 2020, draft DAP 2026 and DPM 2025

Understanding how the Government buys is as important as knowing what it buys. The route determines who may bid, how much Indian content is required, whether technology must be transferred and how long a deal will take.

■ The lifecycle at a glance

FIGURE 11 Capital procurement lifecycle under DAP 2020

Capital procurement lifecycle under DAP 2020



AoN authorises an RFP; it is not a contract. Commercial confidence rises only from stage 5 onward.

Typical timelines: months for repeat orders; 3-5 years for new designs; MoD cites 19-26 months in 2024.

Source: DAP 2020 as summarised by Department of Defence Production and MoD; timelines from Defence Standard and PRS.

Stage	What it means	Commercial confidence
Requirement / RFI	Need identified; industry capability tested	Very early
AoN (DAC)	Approval to issue RFP; ceiling estimate	Material but not a contract
RFP	Formal bid process	Higher
Trials	Technical and user assessment	Higher
Negotiation (Cost Negotiation Committee)	Commercial terms	High but not final
Contract (CCS above delegated limit)	Binding award	Committed

Stage	What it means	Commercial confidence
Production and acceptance	Execution	Realised demand

Who does what

Institution	Role	Relevance to industry
Ministry of Defence, Department of Defence	Policy, budget, DAP and DPM	Primary customer interface
Department of Defence Production	Industrial policy, DPSUs, licensing, indigenisation, exports	Licences, SRIJAN, export promotion
Department of Military Affairs / HQ IDS	Requirements, jointness, long-term and annual plans	Early demand signal
Defence Acquisition Council	Grants AoN	Gateway to capital acquisition
Defence Procurement Board	Reviews proposals before DAC	Pre-AoN filter
Service Headquarters	User requirement, trials, evaluation	Trials and acceptance
DRDO	Development, transfer of technology, Development-cum-Production Partners	Technology partner
DGQA, DGAQA, naval QA	Quality assurance and approvals	Vendor qualification and acceptance
Ministry of Home Affairs	CAPF procurement	Parallel, non-DAP market
DGFT	SCOMET export licensing	Export authorisations

Who can sell to whom

Customer	Procurement authority	Route	Who can bid
Army, Navy, Air Force	MoD and Service HQs	DAP (capital); DPM (revenue)	Indian and foreign vendors as the category permits; Buy Indian-IDDM only via Indian vendors
Coast Guard	MoD and Coast Guard HQ	DAP	As above
CAPFs (BSF, CRPF, CISF, ITBP, SSB, Assam Rifles, NSG)	Ministry of Home Affairs	MHA procurement rules; Modernisation Plan-IV	Indian and foreign vendors as permitted; many items indigenous
State police	State governments	State procurement rules; central assistance ₹4,061 crore	Indian and foreign vendors as permitted
Critical infrastructure operators	Public or private owners	Commercial contracting; CISF security requirements	Open, subject to licensing and security rules

DAP 2020 categories (in force)

Category	Core concept	Foreign OEM angle
Buy (Indian-IDDM)	Indian vendor; indigenously designed, developed and manufactured; 50% minimum indigenous content	Only through an Indian vendor owning the design
Buy (Indian)	Indian vendor with domestic content thresholds	Supplier to an Indian prime

Category	Core concept	Foreign OEM angle
Buy and Make (Indian)	Indian procurement followed by manufacture or ToT	JV or ToT partner
Buy (Global - Manufacture in India)	Foreign source with Indian manufacture	Direct route with local production
Buy (Global)	Import where no domestic source exists	Narrowing
Make-I / II / III	Government-funded prototype / industry-funded / indigenisation	Indian entities lead
Strategic Partnership	Private-sector platform capability with foreign OEM partnership	Core JV route for platforms

■ Draft DAP 2026: what would change

The MoD released the draft DAP 2026 with a Handbook on Guidelines and Annexures on 10-11 February 2026, with comments due by 3 March 2026. It was expected to take effect from 1 April 2026. On 18 July 2026 the Defence Minister said a new DAP would be introduced 'this year'. No notified final version was located by 30 September 2026, so DAP 2020 continues to govern live cases.

Area	DAP 2020	Draft DAP 2026
Priority categories	Five	Four
Indigenous content in top category	50% minimum	60%, with incentives
Design	Content-based test	'Indigenous design' defined; design ownership and perpetual access to critical IP emphasised
Categorisation	Category-based	Technology Readiness Level (TRL) based
Single vendor	Restricted	Ab-initio single vendor allowed for Buy (Indian-IDDM), TRL 6 to 9
New routes	Fast Track, Make	Long Term Bulk Acquisition; Low-Cost Capital Acquisition; refined Fast Track with downward delegation
Trials	Single-stage	Two-stage; compensation to all vendors who succeed in trial evaluation; services choose the mode of QA trials
Make and iDEX	Make-I/II/III	Own chapter for iDEX and TDF; spiral development; five years of assured orders
Offsets	Offset policy	Absent, according to former MoD financial adviser Amit Cowshish
Timeline control	Not tracked from RFI	Monitored from RFI onward with concurrent activities
Aerospace	-	A separate aerospace-systems procedure to be added later

Source: PIB, 'DAP 2026 proposes transformative leap' (13 February 2026); PIB consultation notice (10 February 2026); Mondaq; ThePrint (13 February 2026).

COUNSEL'S NOTE

A bidder planning a FY2027 strategy should model both regimes. The design-ownership and IP-access tests favour Indian OEMs and could disadvantage licensed-production models where design authority stays abroad. The removal of offsets removes a historic lever for foreign OEMs but also a source of compliance risk.

■ Capital versus revenue procurement

DAP governs capital procurement. The Defence Procurement Manual (DPM) 2025 governs revenue procurement of sustainment, spares, maintenance and services. The Defence Minister released DPM 2025 on 23 October 2025, effective 1 November 2025, covering revenue procurement of roughly ₹1 lakh crore a year by the three services and other MoD establishments. It is intended to simplify procedures and open more opportunities for MSMEs and startups. For suppliers this is the recurring-demand market tied to the installed base.

■ Acceptance of Necessity: what it does and does not do

Question	Answer
Who grants it?	The Defence Acquisition Council chaired by the Defence Minister
What does it authorise?	Issue of an RFP and assignment of a procurement category
Is it a purchase commitment?	No. It is a ceiling estimate; contracts follow only after trials and negotiation
How long from AoN to contract?	Months for repeat orders; three to five years for new designs; MRFA took over a decade from requirement to AoN
What can derail it?	Retendering, trial failure, cost escalation, changes in category, CCS non-approval

■ Vendor registration, quality assurance, testing and security

- ◆ **Vendor registration.** DDP publishes an SOP for assessment and registration of firms, vendors and suppliers; a separate DGAQA document covers aeronautical quality management approval.
- ◆ **Quality assurance.** DGQA, DGAQA and naval QA set inspection, quality-system and acceptance requirements by product; the draft DAP 2026 lets services choose the mode of QA trials.
- ◆ **Testing.** The Defence Testing Infrastructure Scheme supports private and consortium test facilities, creating a testing-as-a-service opportunity.
- ◆ **Security.** The Security Manual for Licensed Defence Industries (2025) sets physical, personnel, information, access and cyber controls, including for foreign employees, visitors and subcontractors. It is a core compliance document for foreign OEMs and technology entrants.

CHAPTER 07

07 Indigenisation and Atmanirbhar defence

Indigenisation is measured across the whole chain: assembly, components, subsystems, software, design and intellectual property. The sixth Positive Indigenisation List was notified on 18 August 2026, and the September 2026 position confirms both progress and a long tail of unindigenised items.

FIGURE 12 Progress on SRIJAN and DPSU indigenisation lists

SRIJAN items offered to industry: 33,000 items

about 15,700 indigenised (48%)

DPSU indigenisation lists (6 lists): 5,417 items

about 3,300 indigenised (61%)

Source: Rajnath Singh, address of 27 September 2026 (PIB); India Strategic; Manorama Yearbook (19 August 2026).

Indicator	Latest figure	As of
Service (DMA) Positive Indigenisation Lists	5 lists, 509 equipment, weapons and platforms	Sep 2026
DPSU indigenisation lists	6 lists, 5,417 items; about 3,300 indigenised	Sep 2026
Sixth list (notified 18 Aug 2026)	405 items (389 DPSU, 16 Coast Guard); about ₹3,070 crore business potential	Aug 2026
SRIJAN items offered to industry	About 33,000	Jun-Sep 2026
SRIJAN items indigenised	About 15,700; import substitution about ₹9,000 crore over five years	Jun 2026
DPSU orders placed on domestic vendors	About ₹10,000 crore	Mar 2026
SRIJAN DEEP database	40,000+ manufacturers and sellers	Sep 2026
iDEX	676 startups and innovators engaged; 551 contracts; procurement above ₹2,400 crore approved for startups and MSMEs	Mar 2026
iDEX outlay 2021-26 / ADITI outlay 2023-26	₹498.78 crore / ₹750 crore	FY2026

Indicator	Latest figure	As of
Technology Development Fund	81 projects, ₹344 crore committed	2025
DRDO technology-transfer licence agreements	1,918	2025
Systems DRDO earmarked for industry to develop	183	2025

NOTE Correction: an earlier draft cited four service lists with 411 items and three DPSU lists with 3,738 items. Those counts are out of date. PRS attributes 5,012 items to 'five lists' at 61% indigenised by December 2024; these are the first five DPSU lists.

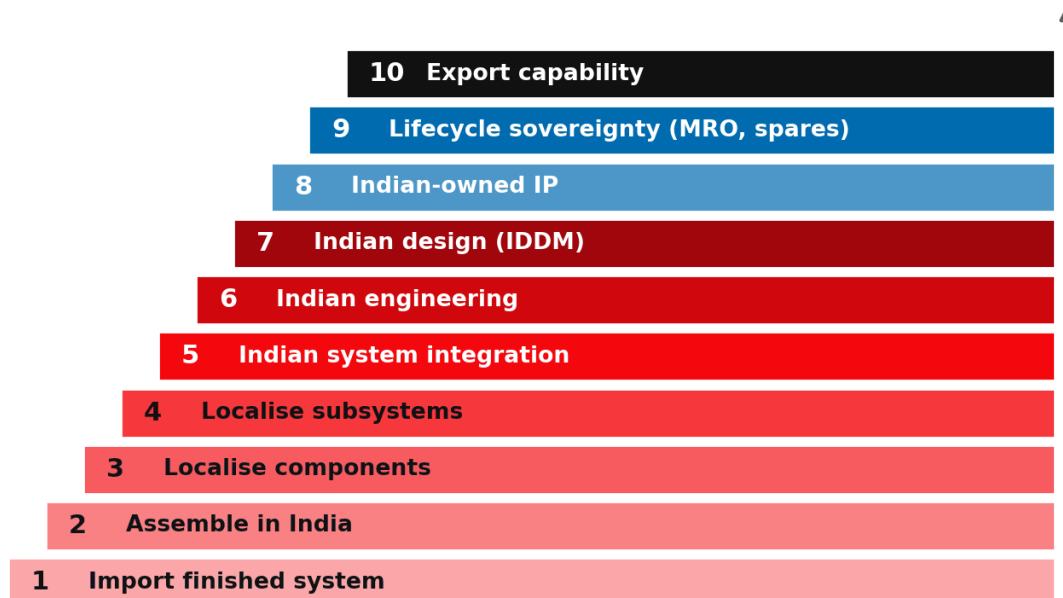
■ What the data implies

- ◆ About 52% of SRIJAN items and 39% of DPSU-list items remain to be indigenised, so the open opportunity set is thousands of components, not dozens of platforms.
- ◆ ₹9,000 crore of import substitution in five years is small against ₹1.78 lakh crore of annual production. SRIJAN is a component and spares market.
- ◆ iDEX has scale in count but modest value per contract (about ₹2,400 crore of approved procurement across 551 contracts). Assured orders promised in draft DAP 2026 would change bankability if notified.

■ Progressive indigenisation: from assembly to Indian IP

FIGURE 13 The ten stages of progressive indigenisation

DAP 2020 tests mostly stages 3-4 (content %). Draft DAP 2026 moves toward stages 7-8 (design and IP).



Source: Author's framework, aligned to DAP 2020 and draft DAP 2026 tests.

Stage	What is localised	Typical entrant
1-2 Import, assembly	Finished kits assembled in India	Distributor, assembly plant

Stage	What is localised	Typical entrant
3-4 Components, subsystems	Precision parts, avionics or propulsion subsystems	Tier-1 and Tier-2 suppliers
5 Integration	Indian firm integrates the full system	Prime or strategic partner
6-7 Engineering, design	Modification and original design in India	Design centres, IDDM developers
8 Indian IP	Software, architecture and critical IP owned in India	Technology companies
9-10 Lifecycle, export	MRO, spares, upgrades and exports	MRO providers, export-led makers

PLATFORM SCORECARD TEMPLATE

Each platform should be scored by percentage at each stage, not by ticks. A worked example must use verified content data, which is not yet public for most platforms; the template below is populated only for what programme documents state.

Platform	Assembly	Components	Subsystems	Indian design	Indian IP	Lifecycle	Export
Combat aircraft (Tejas Mk1A)	● Yes	● Partial	● Partial; engine imported	● Yes	● Partly	HAL MRO	● Limited
Submarine (P-75(I))	● Yes (MDL build)	45% IC first boat, rising toward 60%	Foreign AIP design (TKMS)	● No (TKMS design)	● No	● Planned	● No
Missile (BrahMos)	● Yes	● Partial	● Partial (Indo-Russian JV)	● Joint	● Joint	● Yes	● Yes (Philippines)
Drone (loitering munition)	● Yes	● Partial	● Partial	● Yes	● Yes	● Yes	● Emerging

Source: Tejas engine dependence from HAL commentary; P-75(I) indigenous-content requirement from Army Recognition (August 2026); BrahMos from public records. Cells marked 'Partial' are judgements to be replaced by contract-level data.

■ Make routes and innovation programmes

Route	Purpose	Funding	Lead
Make-I	Government-funded prototype	Government share (up to 70% under DAP 2020, unverified in 2026)	Indian industry
Make-II	Industry-funded prototype with procurement path	Industry	Indian industry, MSMEs, startups
Make-III	Import substitution	Industry	Indian industry
iDEX / iDEX-Prime / ADITI	Startup and deep-tech grants	Government grants	Startups, MSMEs, academia
TDF	Development grants	Government	Industry, MSMEs, startups
DTIS	Testing infrastructure	Government-supported	Consortia

■ Defence R&D and DRDO

DRDO's budget is ₹29,100 crore in FY2026-27, with ₹17,250 crore in capital. R&D is only 3.7% of defence expenditure (from 4.7% in 2014-15), and MoD has asked for about 10% over a decade. Since 2022, 25% of the defence R&D budget has been earmarked for industry, startups and academia, which has left a funding gap for DRDO's own projects; spending under that window exceeded its allocation in 2023-24.

Indicator	Figure
DRDO budget FY27 / FY26	₹29,100 crore / ₹26,817 crore (+8.5%)
Defence R&D capital outlay FY27	₹17,250 crore (+15.6%), about 8% of capital outlay
R&D share of defence expenditure	4.7% (2014-15); 3.7% (FY27 BE)
Systems earmarked for industry-led development	183
Technology-transfer licence agreements signed	1,918
Technology Development Fund	81 projects, ₹344 crore committed
CAG review of 178 DRDO projects (2022)	119 missed original timelines; 49 exceeded the approved project duration

Source: PRS Legislative Research (17 February 2026); MP-IDSA; DD News.

The draft DAP 2026 reviews the selection of Development-cum-Production Partners for DRDO projects to ensure a level playing field. For industry, DRDO's shift to leaving 183 systems to industry, free access to DRDO patents and ToT licences make DRDO both a partner and a source of technology.

■ Positive Indigenisation Lists and legal effect

A Positive Indigenisation List is in substance a negative import list: after the indicated timeline, the item may not be imported and must be sourced from Indian industry. For Indian manufacturers it creates a protected market once a qualified product exists. For foreign OEMs it closes direct sales of listed items and pushes them to licensed production or supply to an Indian prime. Each list item carries an indicative timeline for indigenisation, and exceptions require approval; the timeline and exception process should be read for each item in the notified list.

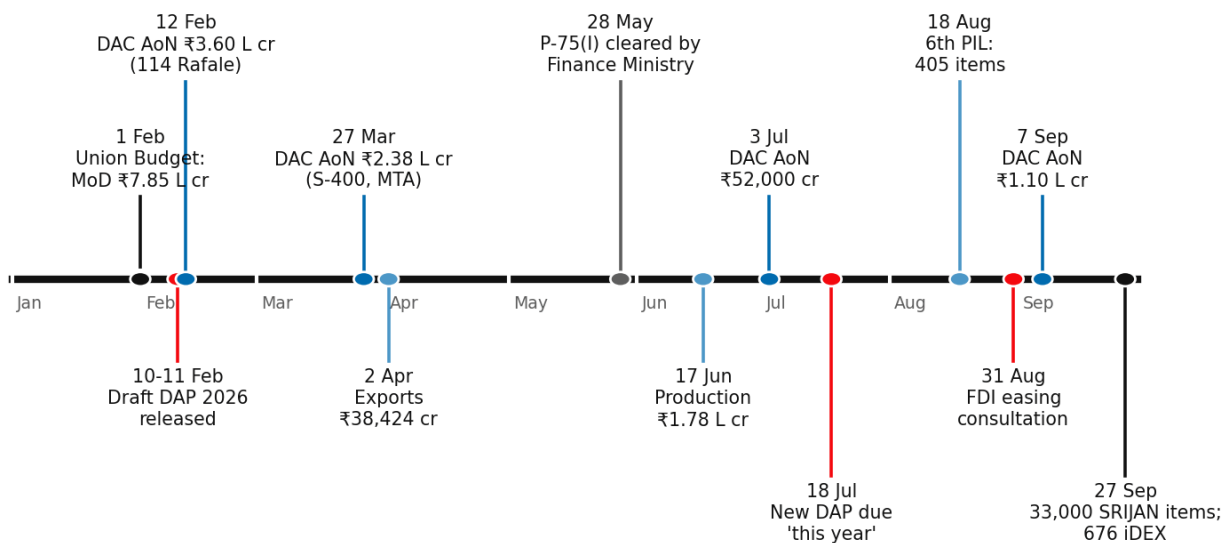
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CHAPTER 08 The 2026 procurement pipeline

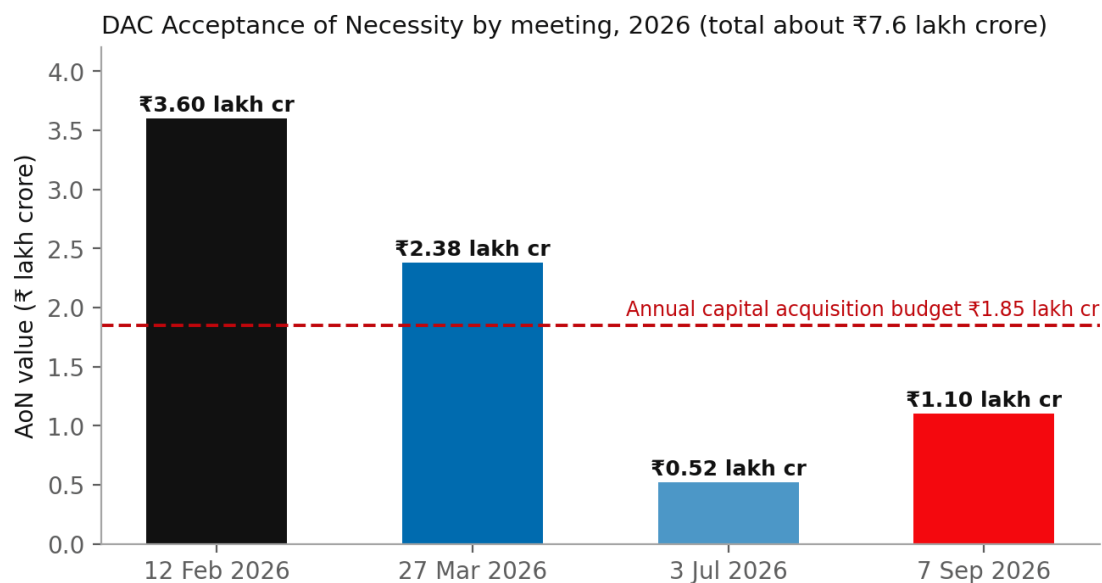
The DAC granted AoN to about ₹7.6 lakh crore of proposals in four meetings between February and September 2026 (₹3.60, ₹2.38, ₹0.52 and ₹1.10 lakh crore), after ₹6.73 lakh crore across 55 proposals in FY2025-26. The MoD signed contracts for 503 proposals worth ₹2.28 lakh crore in FY2025-26, the highest in a financial year, according to summaries of MoD data. An AoN is a ceiling estimate that authorises an RFP; none of the items below is a contract unless stated.

FIGURE 14A Key 2026 milestones

Key 2026 milestones in Indian defence policy and procurement



Source: PIB, All India Radio, Business Standard and other sources cited in this report.

FIGURE 14 DAC AoN by meeting in 2026 against the annual capital acquisition budget


Source: PIB and All India Radio (12 February, 27 March); GS Times and SSBCrack (3 July); PIB via GlobalSecurity (7 September); MP-IDSA for the ₹1.85 lakh crore budget.

■ AoN tracker, newest first

DAC date	AoN value	Service	Items cleared	Next stage
7 Sep 2026	About ₹1.10 lakh crore; about 98% from Indian industry	Army	CBRN recce vehicles, high-mobility vehicles, self-propelled mechanical mine layers, Advanced Light Helicopters, trawl tanks, Sarvatra bridge system	RFP; category to be set
7 Sep 2026	as above	Navy	Arudhra radars; design, development and procurement of marine gas turbines	Development-cum-production
7 Sep 2026	as above	Air Force	Proposals for fighters, transport aircraft and helicopters; ground-based multi-purpose jammers reported	Details to confirm on PIB
3 Jul 2026	About ₹52,000 crore	Army	Akash Tarang anti-UAV EW system, MPATGM, MRSAM, V-SHORADS, tank active protection, jet-based kamikaze drone	RFP / trials
3 Jul 2026	as above	Navy	Naval mines and shipborne drones (reported)	RFP
27 Mar 2026	About ₹2.38 lakh crore	Army	Air Defence Tracked System, high-capacity radio relay, Dhanush gun system (reported)	RFP
27 Mar 2026	as above	Air Force	Medium Transport Aircraft, S-400 long-range SAM, Remotely Piloted Strike Aircraft, Su-30 aero-engine aggregate overhaul	G2G / RFP
27 Mar 2026	as above	Coast Guard	Heavy-duty air cushion vehicles	RFP
12 Feb 2026	About ₹3.60 lakh crore	Air Force	114 Rafale (MRFA), about ₹3.25 lakh crore; stand-off combat missiles; air-ship based high-altitude pseudo satellite (AS-HAPS)	G2G negotiation, then CCS

DAC date	AoN value	Service	Items cleared	Next stage
12 Feb 2026	as above	Navy	Six P-8I; 4 MW marine gas turbine generators (55 units, Make-I)	Negotiation / Make-I
12 Feb 2026	as above	Army	Vibhav anti-tank mines; overhaul of ARVs, T-72 tanks and ICVs	RFP
12 Feb 2026	as above	Coast Guard	EO/IR systems for Dornier aircraft	RFP

NOTE Conflicts in press reports: some outlets date the second meeting 30 March rather than 27 March (All India Radio, the primary source, says 27 March). Local-build share of the Rafale order is reported variously as 90, 94 and 96 aircraft; treat as unconfirmed until a contract or PIB release states it.

■ Reading the pipeline

- ◆ **Concentration.** Rafale is about 90% of the February total and about 43% of all 2026 AoN value.
- ◆ **Conversion.** ₹7.6 lakh crore of AoNs compare with ₹1.85 lakh crore of annual capital acquisition and ₹2.19 lakh crore of capital outlay, so most AoN value will convert over several years or lapse.
- ◆ **Private-sector entry points.** Counter-UAS, loitering munitions, vehicles, radars, jammers, marine gas turbines, aero-engine overhaul and mine layers.
- ◆ **Marine gas turbines** appear in February (4 MW generators, Make-I), and September (design and development), with a 24-28 MW turbine AoN dated 7 September on the DDP notices list: a live engine-localisation opportunity.
- ◆ **Signed contracts include** ₹2,312 crore for eight Do-228 aircraft for the Coast Guard from HAL (12 February 2026) and ₹858 crore for Tunguska missile sustainment and P-8I maintenance (March 2026).

■ Open Make and industry-response items (DDP notices, September 2026)

Item	Route	Deadline / status
Ship-based SATCOM terminal	Make-II EoI	Response by 24 Oct 2026
20 mm turret gun ammunition for ALH-WSI and LCH	Make-II	Response extended to 31 Oct 2026
Fixed-wing High Altitude Pseudo Satellite	Make-I (Design and Development)	EoI issued
24-28 MW marine gas turbine	AoN 7 Sep 2026	Future procurement
MANPADS, long-range loitering munition, FOPEN radar	Indigenous development / Make-II	2026 industry response process

NOTE Deadlines are from the DDP notices list supplied with this project and were not re-verified against the DDP website.

CHAPTER 09

09 Army, Navy, Air Force and Coast Guard: opportunity maps

Each entry carries its procurement stage. Values are government or press estimates and are marked where unconfirmed.

■ Indian Navy and maritime

Programme	Stage at 30 Sep 2026	Value	Entry points
Project 75(I), six AIP submarines, MDL with TKMS	Finance Ministry cleared 28 May 2026; awaiting Cabinet Committee on Security; contract targeted for September 2026 and not signed in sources found	About ₹70,000 crore (press)	45% indigenous content on first boat rising toward 60%; Tier-1/2 suppliers to MDL; AIP, battery, sonar and weapons integration
Six P-8I	AoN 12 Feb 2026	Not disclosed	Maintenance, support, indigenous mission systems
4 MW marine gas turbine generators (55)	AoN, Make-I, Feb 2026	Not disclosed	Turbine and generator development partners
Marine gas turbines (design and development); Arudhra radars	AoN 7 Sep 2026	Not disclosed	Engine localisation; radar electronics
26 Rafale-M	Ordered April 2025; deliveries from 2029	₹63,000 crore	Weapon integration, MRO
ASW shallow-water craft (16)	Delivery and commissioning under way (INS Anjadip, Feb 2026; three ships 21 Jun 2026)	₹13,440 crore (2019 value)	Sustainment, follow-on work

Source: Army Recognition (August 2026); Defence News India; Naval News (13 February 2026); PRS; Wikipedia ship pages for commissioning dates.

MP-IDSA counts 51 large ships under construction worth over ₹90,000 crore and reports Navy indigenisation of about 60% in propulsion and 50% in weapons. PRS reports 58 naval ships under construction and approvals for 62 more as of 2025. The Navy's share of capital outlay averaged 35.3% in 2020-25, but the modernisation heads that map to it grow only about 4% in FY27.

■ Indian Air Force and aerospace

Programme	Stage	Value	Entry points
114 Rafale (MRFA)	AoN 12 Feb 2026; G2G negotiation then CCS	About ₹3.25 lakh crore	Indian build share and weapons integration still to be settled; aerostructures, harnesses, MRO
S-400 additional systems	AoN 27 Mar 2026	Not disclosed	Sustainment and integration

Programme	Stage	Value	Entry points
Medium Transport Aircraft	AoN 27 Mar 2026; C-295 line at Vadodara as reference base	Not disclosed	Private prime and foreign partner selection
Remotely Piloted Strike Aircraft	AoN 27 Mar 2026	Not disclosed	UCAV subsystems and payloads
Su-30 aero-engine aggregate overhaul	AoN 27 Mar 2026	Not disclosed	Engine MRO capacity
AS-HAPS	AoN 12 Feb 2026	Not disclosed	Airship, payload and power suppliers
Tejas Mk1A	In production; engine supply is the bottleneck. HAL delivered two Tejas trainers and three HTT-40 on 18 Sep 2026	HAL order book ₹2.54 lakh crore	Engine and avionics second sources

Source: AIR (27 March and 12 February 2026); Defence Standard; Angel One.

The Standing Committee has noted 31 active fighter squadrons against 42 authorised and an ageing MiG-21, MiG-23 and MiG-27 tail. The first made-in-India C-295, assembled at Tata Advanced Systems in Vadodara, completed its maiden test flight in June 2026.

■ Indian Army

Programme	Stage	Value	Entry points
QRSAM	BEL order expected by Q2 FY27; not confirmed signed	About ₹30,000 crore	Radar, launcher and missile sub-tier suppliers
Akash Tarang, V-SHORADS, MRSAM, MPATGM, tank active protection, jet-based kamikaze drone	AoN 3 Jul 2026	Part of about ₹52,000 crore	Counter-UAS RF and EO/IR, seekers, loitering-munition payloads
CBRN recce vehicles, HMTV, mine layers, trawl tanks, Sarvatra bridge, ALH	AoN 7 Sep 2026	Part of about ₹1.10 lakh crore	Vehicle platforms, engines, transmissions, bridging
Air Defence Tracked System; high-capacity radio relay	AoN 27 Mar 2026	Not disclosed	Radar and tactical communications
ARV, T-72 and ICV overhaul; Vibhav anti-tank mines	AoN 12 Feb 2026	Not disclosed	Overhaul and mine supply chain
Loitering munition (Tata Advanced Systems)	Contract reported	₹1,577 crore	Sub-tier electronics, warheads
Vikram VT21 armoured platform	Prototypes rolled out 25 Apr 2026; mass production from 2028 (unverified)	Not disclosed	Vehicle sub-tiers

The Army is the largest spender on revenue (₹3,96,977 crore in FY27) and its equipment mix skews old: 45% older-generation against an ideal 30%. The Army has built in-house drone capability, producing 819 drones so far, and is prioritising firepower, mobility, night-fighting and drone and counter-drone technology.

■ Indian Coast Guard

The Coast Guard's FY27 budget falls 13% to ₹8,393 crore, so near-term demand rests on approvals already granted: eight Do-228 aircraft (₹2,312 crore contract, 12 February 2026), EO/IR systems for Dornier aircraft (AoN) and heavy-duty air cushion vehicles (AoN 27 March 2026). The sixth Positive Indigenisation List includes 16 Coast Guard items. Coastal surveillance, interceptor craft and pollution-response equipment remain candidate segments; no further verified programmes were found.

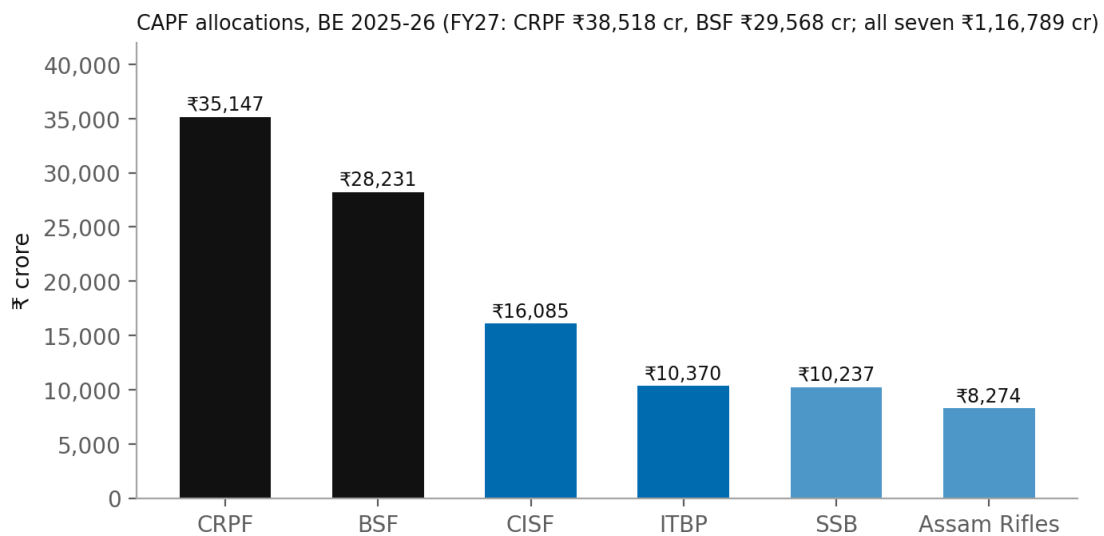
CHAPTER 10

10 Internal security: CAPFs, police and critical infrastructure

Internal-security procurement is a distinct market with its own customer, budget and rules. The Home Ministry is budgeted ₹2,55,234 crore for FY2026-27, up about 9.4% from ₹2,33,211 crore. The seven CAPFs together receive ₹1,16,789 crore, 11.4% above 2024-25 actual spending.

₹ 2.55 L cr MHA budget FY27	₹ 1.17 L cr Seven CAPFs FY27	₹ 21,272 cr MHA capital outlay ▲ 84% vs FY25	₹ 4,061 cr Police modernisation to states
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FIGURE 15 CAPF allocations by force, BE 2025-26



Source: PRS Legislative Research, Demand for Grants 2026-27 Analysis: Home Affairs (August 2026); Tribune/PTI (1 February 2025) for FY26 BE; RNA Media (2026). FY27: CRPF ₹38,518 crore (33% of CAPF allocation), BSF ₹29,568 crore (25%).

Indicator	Figure	Source
MHA capital outlay under the Police head	₹21,272 crore in FY27, from ₹16,579 crore in FY26 and ₹11,561 crore in FY25	PTI / RNA Media
Border management	₹5,576 crore	RNA Media
Police infrastructure	₹5,393 crore (more than doubled)	RNA Media

Indicator	Figure	Source
Centrally sponsored police modernisation to states	₹4,061 crore	RNA Media
Intelligence Bureau	₹6,782 crore, up about 63% on revised estimates	PTI
CAPF Modernisation Plan-IV, total outlay since launch	₹1,523 crore; FY27 allocations to 26 July 2026: CRPF ₹117.01 crore, Assam Rifles ₹88.98 crore, BSF ₹38.40 crore, CISF ₹38.03 crore, SSB ₹39.52 crore, NSG ₹32.71 crore, ITBP ₹8.80 crore	Lok Sabha reply, 4 Aug 2026
CAPF vacancies	At least 8% of posts vacant over the last six years	PRS
State dues for CAPF deployment	Nearly ₹50,000 crore outstanding (October 2022)	PRS

The distinguishing feature is scale mismatch. Modernisation Plan-IV has committed only ₹1,523 crore over its life, while the CAPFs' total budget is ₹1.17 lakh crore, most of it pay. The commercial opportunity therefore sits in the capital head (₹21,272 crore) and in state-level and critical-infrastructure demand rather than in the headline allocation.

■ Segments

Customer	Needs (per MHA modernisation material)	Notes
BSF, SSB, Assam Rifles	Border surveillance, UAVs, thermal imagers, vehicles, communications	Border management budget ₹5,576 crore
CRPF	Counter-insurgency equipment, mine-protected and bulletproof vehicles, protective equipment	Largest CAPF at ₹38,518 crore
CISF	Airports, ports, metro, nuclear and industrial site security; bomb-detection systems	Commercial and public-sector customers
ITBP	High-altitude equipment, mobility, communications	Ladakh and Arunachal deployments
NSG	Counter-terror equipment, robotics, bomb disposal	Small volumes, high specification
State police	CCTV, ANPR, command centres, forensics, digital policing	State procurement rules; ₹4,061 crore central assistance

DATA GAP

Police-technology market sizing (CCTV, ANPR, facial recognition, forensic laboratories, 112 systems) needs state-level budget data that was not gathered in this pass. It is listed in Appendix C.

11 Technology domains: drones, missiles, electronics, cyber and space

This chapter maps verified demand signals only. Where no public programme data were found, the segment is described qualitatively and left unsized.

■ Drones, counter-UAS and autonomy

Segment	Verified signal	Route
Counter-UAS	Akash Tarang anti-UAV EW system AoN (3 Jul 2026); 791 drone intrusions in 2025, 237 neutralised	DAC AoN; Make-II
Loitering and kamikaze munitions	Jet-based kamikaze drone AoN (3 Jul 2026); ₹1,577 crore loitering contract reported; long-range loitering munition on Make-II list	AoN; Make-II
Swarm systems	Air Force Mehar Baba competition led to a ₹300 crore swarm-drone order to an Indian startup	Competition-based buy
High-altitude pseudo satellites	AS-HAPS AoN (12 Feb 2026); fixed-wing HAPS Make-I EoI	AoN; Make-I
Army in-house drones	819 drones produced in-house	Internal production
MALE UAVs	31 MQ-9B drones bought from the US at over ₹30,000 crore; indigenous alternatives in development	Foreign buy; DRDO development
Remotely Piloted Strike Aircraft	AoN 27 Mar 2026	AoN

Source: PRS (Air Force and drone section); Defence Standard; DAC releases.

■ Missiles, air defence and ammunition

Segment	Verified signal
Long-range SAM	S-400 additional systems AoN (27 Mar 2026)
Medium and short-range SAM	MRSAM and V-SHORADS AoN (3 Jul 2026); Akash for the Army (₹12,000 crore) among BEL's execution projects; QRSAM (about ₹30,000 crore) expected
Anti-tank	MPATGM AoN (3 Jul 2026); Vibhav anti-tank mines AoN (12 Feb 2026)
Stand-off strike	Combat missiles with deep-strike capability AoN (12 Feb 2026)
Ammunition and energetics	Solar Industries defence revenue ₹2,634 crore in FY26 (from ₹1,355 crore), defence order book about ₹18,000 crore; 20 mm ammunition on Make-II list
Missile makers	Bharat Dynamics FY26 revenue ₹2,442 crore, down about 22-27%, order book ₹26,176 crore

■ Radar, electronic warfare, C4ISR and electronics

- ◆ Radars: Arudhra naval radars (AoN 7 Sep 2026); Air Defence Tracked System (AoN 27 Mar 2026); FOPEN radar (Make-II).
- ◆ Electronic warfare: Akash Tarang EW system; ground-based multi-purpose jammers (reported AoN); four D-29 electronic warfare systems among BEL's projects.
- ◆ Communications: high-capacity radio relay (AoN); ship-based SATCOM terminal (Make-II EoI closing 24 October 2026).
- ◆ Electronics base: BEL had FY26 revenue of ₹27,480 crore and PAT of ₹6,049 crore, an order book of ₹73,882 crore and plans ₹2,200 crore of R&D; its board approved a JV with Safran Electronics and Defence in July 2026.

■ Cyber, AI and software

No dedicated defence cyber or AI procurement value was verified. The signals are indirect: BEL is investing in AI, cybersecurity and autonomous platforms; iDEX and ADITI are the principal channels for startups; and the Defence Minister described cyber, space, electronic and information domains as the changing character of warfare in his 27 September 2026 address. Sizing the market requires data on MoD, MHA and critical-infrastructure cyber budgets.

■ Space and dual-use

Dedicated defence satellites include GSAT-7, GSAT-7A and EMISAT. The Integrated Air Command and Control System of the IAF fuses data from all air defence systems. Mission Sudarshan Chakra, announced in 2025, is described as a multi-layered indigenous system to protect critical infrastructure. The AS-HAPS and fixed-wing HAPS programmes place persistent surveillance between drones and satellites. Space ISR, military satellite communication and space situational awareness need programme-level data before sizing.

12

Industrial base: DPSUs, private industry, corridors and supply chain

The base is 16 DPSUs, over 430 licensed companies and about 16,000 MSMEs (MoD figures). DPSUs and other PSUs made about 76% of FY2026 output. At the largest DPSUs the binding constraint is execution and engine supply, not order books.

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Ordnance factories to seven DPSUs

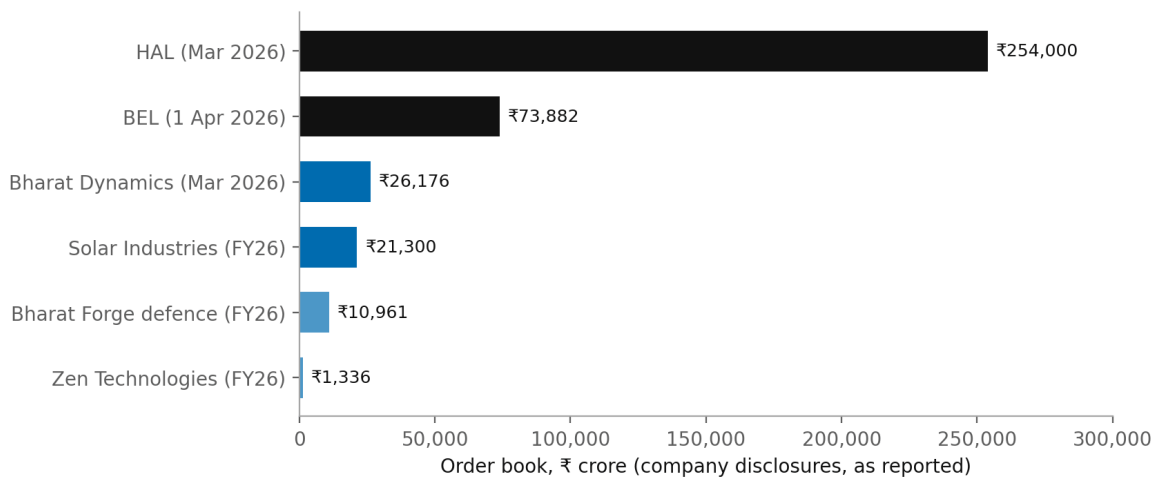
In 2021 the production units of the Ordnance Factory Board were converted into seven new defence PSUs making ammunition and explosives, vehicles, weapons and equipment, and parachutes. The Government allocated ₹8,745 crore of capital expenditure to them for 2021-22 to 2026-27, of which ₹5,757 crore had been disbursed by 2024-25. As of 31 December 2024 their order book was ₹78,984 crore over five years. A CAG audit found small-arms accidents and high overhead costs in the earlier ordnance factory structure.

■

Listed defence companies: verified snapshot

FIGURE 16

Order books of selected listed defence companies (₹ crore)



Source: Company disclosures as reported: Whalesbook, Business Standard (BEL); Angel One and Multibagg (HAL); ScanX (BDL, 28 September 2026); Multi-bagg (Solar Industries); Whalesbook (Bharat Forge); The Core (Zen).

Company	Segment	Latest verified figures	Signal
HAL	Aircraft, helicopters, engines, MRO	Order book ₹2.54 lakh crore (Mar 2026, from ₹1.89 lakh crore); FY27 revenue growth guided 10-12%; expects about ₹90,000 crore of orders in two years; fleet MRO close to ₹20,000 crore a year	Supply-constrained: GE engine deliveries for Tejas Mk1A

Company	Segment	Latest verified figures	Signal
BEL	Radar, EW, communications, electronics	FY26 revenue ₹27,480 crore (+16%), PAT ₹6,049 crore; order book ₹73,882 crore (1 Apr 2026), ₹72,300 crore after Q1 FY27; Q1 FY27 inflows ₹3,750 crore (-51%); FY27 inflow guidance above ₹55,000 crore; export order book \$465 million	QRSAM order of about ₹30,000 crore expected
Bharat Dynamics	Missiles, torpedoes	FY26 revenue ₹2,442 crore (down about 22-27%), PAT ₹420 crore; order book ₹26,176 crore; FY27 revenue target ₹5,500 crore	Conversion lag; disclosed backlog concentrated in HAL
Mazagon Dock	Warships, submarines	FY26 revenue ₹13,008 crore (+13.8%)	P-75(I) is the anchor programme
Solar Industries	Ammunition, explosives, energetics	Defence revenue ₹2,634 crore (from ₹1,355 crore; 27% of sales); total order book ₹21,300 crore, about ₹18,000 crore defence; FY27 defence revenue guided above ₹4,500 crore; capex ₹1,556 crore in FY26	Private-sector conversion has held
Bharat Forge	Artillery, armoured systems, forgings	FY26 consolidated revenue ₹16,812 crore, PAT ₹1,089 crore; defence order book ₹10,961 crore; ₹1,000 crore capex planned FY27	Defence-segment revenue fell sharply in 2025 quarters
Zen Technologies	Simulators, counter-drone	FY26 revenue ₹688 crore (-29%); record order book ₹1,336 crore	Order book above revenue but conversion weak

NOTE Order books, results and guidance are from press reports of company disclosures, not filings. A reporter's tally puts the combined order pipeline across BDL, HAL, BEL, Mazagon Dock, Garden Reach, Cochin Shipyard, Bharat Forge defence, Solar Industries, Zen and Astra Microwave above ₹4.5 lakh crore. Market capitalisation, EBITDA margins, valuation and promoter holding are left to the data book because they change daily; no investment recommendation is made.

THE CONVERSION PROBLEM

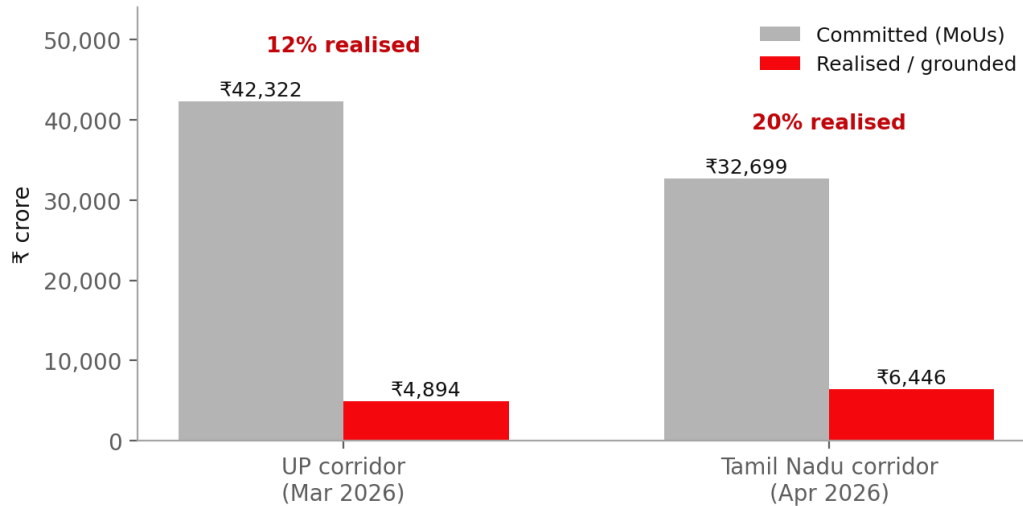
Across the listed set, large order books coexist with swelling inventories, compressing margins and tighter working capital. HAL, BDL and Mazagon Dock trade on forward multiples well above their historical averages (The Core, June 2026). For suppliers this means longer payment cycles from prime contractors; for investors it means tracking book-to-bill, not backlog.

Other private industry signals

- ◆ Tata Advanced Systems: first Indian-assembled C-295 flew in June 2026; a ₹1,577 crore loitering-munition contract is reported.
- ◆ Army's Vikram VT21 armoured platform: designed by the state vehicle research establishment, with Tata Advanced Systems and Bharat Forge as producers; prototypes rolled out on 25 April 2026, mass production expected from 2028 (from a Wikipedia summary; verify).
- ◆ Startups: iDEX 676 innovators; Mehar Baba swarm-drone order of ₹300 crore. A full startup funding database needs primary data on funding rounds and is left open.

■ Defence industrial corridors

FIGURE 17 Committed versus realised investment in the two corridors



Source: ORF (Uttar Pradesh, March 2026); BigInfo/Government data (Tamil Nadu, April 2026). Commitments are MoU-based.

Corridor	Nodes	Committed	Realised	Policy
Uttar Pradesh	Lucknow, Kanpur, Jhansi, Agra, Aligarh, Chitrakoot	About ₹42,322 crore (Mar 2026)	₹4,894 crore (12%)	UP Defence and Aerospace Unit and Employment Promotion Policy 2018
Tamil Nadu	Chennai, Coimbatore, Hosur, Salem, Tiruchirappalli	About ₹32,699 crore (Apr 2026)	₹6,446 crore (20%)	Tamil Nadu Aerospace and Defence Industrial Policy 2019

Both corridors were designed to attract about ₹10,000 crore each; commitments now exceed that several times over, but only 12-20% is realised, which is the typical MoU-to-plant conversion pattern. Incentives offered include stamp duty, land cost and electricity tax exemptions. Tamil Nadu cites four international airports, surplus power and its status as the largest recipient of Korean FDI in India. Other states with aerospace and defence ecosystems (Karnataka, Telangana, Maharashtra, Gujarat, Andhra Pradesh, Kerala, Odisha, Haryana, Rajasthan) need the DDP Aerospace and Defence Sector Policy Compendium for incentive-level data, which is listed as an open item.

■ Supply chain gaps

Layer	Gap	Entry route
Aero engines	GE F404 supply governs Tejas Mk1A deliveries; Su-30 engine aggregate overhaul is now an AoN	Engine MRO, component JVs
Marine propulsion	4 MW and 24-28 MW marine gas turbines in AoN and Make-I	Design-and-develop with a turbine OEM partner
Electronics	Radar, EW and seeker components depend on imported RF parts and semiconductors	GaN and RF modules, SRIJAN items
Spares	About half of 33,000 SRIJAN items still imported	Vendor development with DPSUs

Layer	Gap	Entry route
Testing	Private testing capacity is thin	DTIS-backed testing-as-a-service
Materials	Speciality steels, titanium, ceramics and composites (sector assessment)	Qualification with MIDHANI and prime contractors

■ MRO and lifecycle economy

MRO should be modelled from installed base, service life and annual maintenance spend, not from new procurement alone. Two verified anchors: the Defence Procurement Manual 2025 covers about ₹1 lakh crore a year of revenue procurement, and HAL says the aircraft already flying generate close to ₹20,000 crore a year of fresh overhaul work. The Su-30 engine aggregate overhaul AoN and the P-8I maintenance contract (₹858 crore, March 2026, with Tunguska missile sustainment) show services becoming discrete procurements. A Navy dependence on Russian-origin aviation assets means maintenance and spares often need case-by-case waivers from an MoD empowered committee, another opening for indigenous MRO.

CHAPTER 13

13 Exports, FDI and foreign OEM models

■ Export opportunity

Defence exports reached ₹38,424 crore in FY2025-26 to more than 80 countries, with 145 firms holding active export authorisations. Reported export lines include BrahMos, Akash, Pinaka, ATAGS, Dornier-228, ALH Dhruv, Swati radars, offshore patrol vessels, interceptor boats, torpedoes, body armour, ammunition and fuzes. Reported top destinations are the United States (largely aerostructures and components), France and Armenia, with the Philippines, Indonesia, Sri Lanka, Egypt, Israel, Germany and Belgium also named. The Philippines BrahMos contract was about \$375 million, signed January 2022.

Export line	Evidence	Constraint
Finished missiles and air defence (BrahMos, Akash)	Philippines BrahMos contract; Armenia a large buyer of finished platforms	G2G structure; Russian content in BrahMos
Artillery and rockets (Pinaka, ATAGS, ammunition)	Reported Armenia orders	Buyer concentration
Aerostructures and components	US among top destinations	Depends on global OEM qualification
Naval and coastal (patrol vessels, interceptor boats)	Sold across the Indian Ocean region	Financing through lines of credit
Electronics (radars, avionics)	BEL export order book \$465 million; aims to convert about \$300 million in FY27	Long conversion cycles

Reports cite 37 lines of credit worth \$14.27 billion under the Neighbourhood First approach (secondary source; verify). The export target is ₹50,000 crore by 2028-29, but the base is dominated by DPSU deliveries: private exports grew only 14% in FY26.

■ Foreign direct investment

Cumulative FDI in defence industries was \$32.29 million between April 2000 and March 2026, despite the 74% automatic-route ceiling introduced in 2020. On 31 August 2026 the Government said DPIIT is holding stakeholder consultations on easing norms.

FDI parameter	Position at 30 Sep 2026	Under discussion
New industrial licence	Up to 74% automatic route	-
Above 74%, up to 100%	Government route where access to modern technology is likely	Revisit the modern-technology condition
Existing licensees	Not treated as new licensees for the 74% automatic route	Extend 74% automatic route (Reuters, January 2026)

FDI parameter	Position at 30 Sep 2026	Under discussion
Security	MHA security clearance and MoD guidelines apply	-
Land-border investors	Prior approval for any FDI under Press Note 3 (2020); enhanced beneficial-ownership disclosure reported for 2026	-

Source: Business Standard (31 August 2026); Lapaas Voice; Ahlawat and Associates; Altacit. Confirm against the consolidated FDI policy on the transaction date. No final amendment or effective date has been announced.

■ Foreign OEM models visible in the market

Structure	Example (reported)	Read-across
Licensed production with an Indian prime	Airbus C-295 with Tata Advanced Systems; first Indian-assembled aircraft flew June 2026	Base case for transport and medium aircraft
G2G purchase with local build	114 Rafale, reported to be mostly built in India (share unconfirmed)	Sets the ToT and design-authority template
Joint venture for electronics	BEL and Safran Electronics and Defence JV approved by BEL's board, July 2026	DPSU-foreign JV route
Direct buy with maintenance localisation	31 MQ-9B drones at over ₹30,000 crore; six P-8I approved Feb 2026	Lifecycle support and MRO opportunity
Design and ToT with a shipyard	TKMS design with MDL build for P-75(I); 45% rising toward 60% indigenous content	Progressive indigenisation clauses
Engine dependence	Tejas Mk1A deliveries tied to GE engine supply	Highest-value localisation gap

COUNSEL'S NOTE

Structure choices interact with the regime. Under the draft DAP 2026 tests, a foreign OEM that keeps design authority abroad may not qualify for the top category, while an Indian design-owner with a foreign technology partner does. Export rights, third-country sales restrictions and IP improvements ownership should be settled before the RFP stage, not after.

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CHAPTER 14

Legal and regulatory framework

Five instruments changed or are changing within twelve months and belong at the top of any transaction checklist: DPM 2025 (in force 1 November 2025), the draft DAP 2026 (unnotified), the 2025 Security Manual for Licensed Defence Industries, the DPIIT consultation on defence FDI (31 August 2026) and the sixth Positive Indigenisation List (18 August 2026). This is a research framework, not legal advice; each row should be checked against the current notification.

Area	Instruments	2026 point to check
Procurement	DAP 2020 (in force); draft DAP 2026; DPM 2025; delegated financial powers	Which regime governs a live RFP; 60% indigenous content and design-ownership tests if DAP 2026 is notified
Industrial licensing	Industrial licence for defence items under DDP; licence conditions	Existing versus new licensee treatment for FDI
Foreign investment	Consolidated FDI policy; FEMA; RBI rules; Press Note 3 (2020)	74% automatic for new licences; above 74% government route; land-border investors need approval; easing under consultation
Export controls	Foreign Trade (Development and Regulation) Act; SCOMET list administered by DGFT; DDP export authorisations; end-user certificates	Confirm the authorisation route for each item category before quoting
Security	Security Manual for Licensed Defence Industries 2025 (DDP)	Physical, personnel, information and cyber controls; foreign employees, visitors, subcontractors
Quality	DGQA, DGAQA, naval QA; vendor registration SOP; DTIS	Draft DAP 2026 lets services choose the mode of QA trials
Competition	Competition Act; merger and JV review	Exclusive teaming and single-vendor routes (TRL 6-9 single vendor in draft)
Contracts	Government contracting; liquidated damages; performance and bank guarantees; termination; arbitration	Firm-fixed-price and ToT clauses; change-of-control approval
Intellectual property	Patents, trade secrets, technology licences; background and foreground IP	Draft DAP 2026 stresses Indian design ownership and perpetual access to critical IP
Tax and customs	GST, customs, transfer pricing, withholding	Import duty on kits and spares; royalty withholding on ToT
Data and cyber	IT Act; cybersecurity directions; DPDP Act where personal data is processed	Confirm DPDP commencement dates and rules for the specific use
Land and environment	State industrial policies; environmental approvals	Corridor incentives differ by state

Source: DDP Acts and Policies; PIB (13 February 2026); All India Radio (DPM 2025); Business Standard (31 August 2026); Mondaq. SCOMET, tax, DPDP and competition rows come from the general framework and were not re-verified against 2026 notifications.

■ Contract points that matter most in this market

- ◆ **AoN and RFI are not commitments.** No payment claim arises before a signed contract, and tenders can be retracted.
- ◆ **Design and IP clauses.** Under the draft DAP 2026 tests, a licensed-production model that keeps design authority abroad may not qualify for the top category.
- ◆ **Offsets.** The draft omits offsets, so existing offset obligations under running contracts stay governed by their own terms.
- ◆ **Payment and working capital.** Model receivable cycles separately for direct MoD contracts and DPSU sub-supply; the listed set shows tightening working capital.
- ◆ **Security and personnel.** Foreign employees, visitors and subcontractors fall under the 2025 Security Manual; plan clearances into the project schedule.
- ◆ **Dispute resolution.** Government contracts typically provide arbitration; sovereign-counterparty and force majeure clauses need particular attention in G2G-linked deals.

CHAPTER 15

15 Opportunities, risks and 2026-2031 outlook

■ Twenty-four evidenced opportunities

This list keeps only items tied to a dated AoN, contract, budget line or notified list. Stage is at 30 September 2026.

#	Opportunity	Evidence of demand	Stage
1	Rafale MRFA Indian build: aerostructures, harnesses, avionics integration, MRO	114 aircraft, about ₹3.25 lakh crore	AoN, G2G negotiation
2	P-75(I) submarine supply chain (AIP, batteries, sonar, valves, pumps)	6 boats, about ₹70,000 crore, 45% to 60% IC	Awaiting CCS IC
3	Marine gas turbines (4 MW generators; 24-28 MW propulsion)	AoN Feb and Sep 2026	Make-I / design and develop
4	QRSAM sub-systems	About ₹30,000 crore BEL order expected	Order expected
5	Counter-UAS: RF detection, jamming, EO/IR, kinetic	Akash Tarang AoN 3 Jul 2026; 791 intrusions in 2025	AoN
6	Loitering and kamikaze drones, payloads, warheads	Jet-based kamikaze AoN; ₹1,577 crore loitering contract	AoN / contracted
7	Aero-engine MRO (Su-30 aggregates; fleet work)	AoN 27 Mar 2026; about ₹20,000 crore a year of fleet MRO (HAL)	AoN
8	Tejas engine and avionics second sources	Engine supply gates deliveries	In production
9	Medium Transport Aircraft industrial partnership	AoN 27 Mar 2026	AoN
10	Remotely Piloted Strike Aircraft subsystems	AoN 27 Mar 2026	AoN
11	High-altitude pseudo-satellite payloads	AS-HAPS AoN; FW-HAPS Make-I EoI	AoN / EoI
12	Tactical vehicles: HMTV, CBRN recce, mine layers	AoN 7 Sep 2026	AoN
13	Armour overhaul (T-72, ICV, ARV)	AoN 12 Feb 2026	AoN
14	Radars (Arudhra naval; air-defence tracked system)	AoN Sep and Mar 2026	AoN
15	Ground-based multi-purpose jammers	Reported AoN 7 Sep 2026	AoN (unconfirmed)
16	MANPADS, long-range loiter munition, FOPEN radar	Industry response processes 2026	Make-II
17	Ship-based SATCOM terminal	EoI closes 24 Oct 2026	Make-II EoI
18	20 mm turret ammunition for ALH-WSI and LCH	Response due 31 Oct 2026	Make-II

#	Opportunity	Evidence of demand	Stage
19	SRIJAN and DPSU-list spares (405 new items, ₹3,070 crore potential)	Sixth PIL, 18 Aug 2026	Open
20	About 17,000 unindigenised SRIJAN items	33,000 offered, 15,700 done	Open
21	Defence testing-as-a-service (DTIS)	Draft DAP 2026 two-stage trials	Open
22	Aerostructure and component exports to global OEMs	US a top destination	Commercial
23	BrahMos and Akash export support and localised sub-tiers	Philippines contract; BEL export book \$465 million	Commercial
24	Foreign OEM entry via JV ahead of FDI easing	DPIIT consultation, 31 Aug 2026	Policy pending

Risks

Risk	Evidence	Implication
Conversion risk	AoNs of about ₹7.6 lakh crore in 2026 against ₹1.85 lakh crore of annual acquisition	Most AoN value converts slowly or lapses
Absorption	FY2023-24 capital spend ₹1,54,256 crore against ₹1,62,600 crore BE	Budget may not be fully spent
Concentration	DPSUs make 76% of output; Rafale is 90% of the February AoN	Single-programme exposure
Execution and supply	HAL growth guided 10-12% by engine supply; BEL Q1 FY27 inflows -51%	Revenue timing risk
Working capital	Listed defence set shows swelling inventories and tightening cash	Payment-cycle risk for sub-tier suppliers
Policy	DAP 2026 unnotified; FDI easing unannounced; design-ownership rules	Strategy must work under both regimes
Fiscal	Salary and pension are 44% of spending; Eighth Pay Commission from 2026	Pressure on capital share
Data quality	Conflicting press figures (Rafale build share, DAC dates)	Use PIB and AIR releases

Scenarios, 2026 to 2031

A single deterministic forecast would be misleading because procurement timelines, fiscal allocations and technology development can change. Three scenarios frame the outlook, anchored on Government targets.

Scenario	Driver	Indicators to watch
A. Current trajectory	Budget grows 10-15% a year; DAP 2020 continues; 75% domestic share held	Capital acquisition spend against BE; contracts signed per year
B. Accelerated indigenisation	DAP 2026 notified with 60% IC and TRL routes; more PILs; five-year assured Make and iDEX orders	Time from AoN to contract; SRIJAN indigenisation rate; private share above 24%
C. Export-led manufacturing	FDI easing and global OEM tier-2 supply; platform exports	Exports against ₹50,000 crore; private export growth

The Government's 2028-29 targets are ₹3 lakh crore of production and ₹50,000 crore of exports. They require about 19% annual production growth against about 13% over FY2022-26, and only about 9% annual export growth from a base inflated by DPSU deliveries. The Defence Secretary has said 10-15% annual growth in capital outlay would be adequate.

BOTTOM LINE

The opportunity is real but narrower and later than the headline numbers suggest. The nearest funded demand is in spares and components (SRIJAN and DPSU lists), counter-UAS and air defence, aero-engine and marine-turbine localisation, and MRO. Platform-scale demand (Rafale, P-75(I)) is large but slow and concentrated. Foreign OEMs should plan for design-ownership rules, and investors should track conversion, not approvals.

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CHAPTER 16

Four case studies

Four live programmes show how the rules described earlier play out in practice. Each is limited to facts that were verified in this research.

■ Case 1: 114 Rafale (MRFA) and the localisation template

Item	Detail
Approval	AoN on 12 February 2026 within a ₹3.60 lakh crore DAC package; estimated value about ₹3.25 lakh crore
Scope	114 Rafale multi-role fighters; the MoD says the majority will be manufactured in India. The Defence Secretary described it as the first time Rafale will be built outside France with major localisation
Local-build share	Reported variously as 90, 94 and 96 aircraft, with Tata Advanced Systems named as a manufacturing partner in one report; unconfirmed
Next steps	Government-to-government negotiation on price, delivery and localisation, then Cabinet Committee on Security approval
Earlier orders	36 Rafale (2016); 26 Rafale-M (April 2025, about ₹63,000 crore, deliveries from 2029)
Industrial hook	Indian ability to integrate new systems and Indian weapons; Tier-1 and Tier-2 supply chain; MRO

LESSON

The largest single approval is also the least certain in industrial content. Suppliers should position for the localisation package and MRO, not for the headline quantity, and should not model revenue before the contract states the Indian share.

■ Case 2: Project 75(I) submarines

Item	Detail
Structure	Six AIP submarines built by Mazagon Dock with design and engineering by Germany's TKMS
Competition	Seven foreign designs narrowed to a single MDL-TKMS team; L&T-Navantia eliminated in January 2025
Approvals	Negotiations began September 2025; Finance Ministry cleared the acquisition on 28 May 2026; Cabinet Committee on Security approval remains; contract was targeted for September 2026 and no signing was found
Value	About ₹70,000 crore in press reports
Indian content	45% on the first boat, rising toward 60%
Precedent	Project 75: contract October 2005, lead boat in service 2017, six boats complete January 2025, against a plan of December 2017

LESSON

Even a sole-bidder, ministry-cleared programme can take a year or more to reach signature. The indigenous-content ramp (45% to 60%) is the sub-supplier opportunity, and the TKMS design retention shows the limits of Indian design content in submarine programmes.

■ Case 3: C-295 at Vadodara as a reference line

Tata Advanced Systems assembles the C-295 transport aircraft with Airbus at Vadodara. The first made-in-India aircraft completed its maiden test flight in June 2026. The DAC granted AoN for Medium Transport Aircraft on 27 March 2026, and Defence Standard reports Airbus is expected to leverage the Vadodara baseline in its bid. The case shows how a private Indian final-assembly line built under an earlier programme becomes a qualifying asset for the next one.

■ Case 4: Tejas Mk1A and the engine bottleneck

Item	Detail
Contract	83 Tejas Mk1A contracted in 2021 (about ₹48,000 crore) with deliveries scheduled from February 2024
Constraint	Deliveries depend on imported GE engines; HAL guides FY27 revenue growth of only 10-12% despite a ₹2.54 lakh crore order book
Recent event	HAL delivered two Tejas trainers and three HTT-40 aircraft on 18 September 2026
Wider signal	Su-30 aero-engine aggregate overhaul was cleared as an AoN on 27 March 2026; SIPRI notes Indian platforms rely on imported engines and radars

LESSON

A single imported component can gate a whole programme. Engine and avionics second sources, and engine MRO, are among the highest-value localisation openings, and are strongly aligned with the design-ownership direction of draft DAP 2026.

CHAPTER 17

17 Entry playbooks and the 12-month watchlist

■ Playbooks by entrant type

Entrant	Best-fit routes	Steps	Watch-outs
Indian MSME / component maker	SRIJAN and DPSU indigenisation lists; DPM revenue procurement	1. Register on SRIJAN and DPSU vendor portals. 2. Match products to open list items (405 new in the sixth list). 3. Qualify with DGQA or DPSU quality teams. 4. Bid for spares and consumables.	Payment cycles; single-customer dependence on DPSUs
Startup / deep-tech	iDEX, ADITI, TDF, Make-II; competitions such as Mehar Baba	1. Answer an iDEX challenge or Make-II EoI (SATCOM terminal closes 24 Oct 2026). 2. Reach prototype at TRL 6+. 3. Seek procurement under Fast Track or Buy Indian-IDDm.	Prototype-to-order gap; IP ownership; testing access
Foreign OEM	JV or ToT with an Indian prime; Strategic Partnership; licensed production	1. Choose an Indian design-owning partner. 2. Structure FDI (74% automatic for new licences). 3. Plan localisation milestones and IP sharing. 4. Obtain security and export approvals.	Design-ownership rules; SCOMET; security manual; FDI policy change
Financial investor	Listed DPSUs and private makers; corridor supply chain; MRO and testing	1. Track book-to-bill and receivables, not backlog. 2. Screen for engine or component dependence. 3. Diligence licences, security clearances and IP.	Conversion lag; valuation multiples; policy timing
Technology or IT company	Cyber, AI, simulation, command centres for CAPFs and state police	1. Target MHA and state buyers first. 2. Work with primes for MoD content. 3. Meet security-manual and data-law requirements.	Sovereignty clauses; classified data handling; long cycles

■ Twelve-month watchlist

Event	Why it matters	Indicator to watch
Notification of DAP 2026	Sets 60% IC, design ownership, TRL routes, two-stage trials	Text on offsets, single vendor and assured orders
Cabinet Committee on Security on P-75(I)	Largest naval programme; sub-tier ramp	Signing date and indigenous-content schedule
Rafale MRFA negotiation outcome	Defines localisation template	Stated Indian build share; weapons integration rights
QRSAM order to BEL (about ₹30,000 crore)	Air-defence sub-tier demand	Order announcement; BEL Q2 FY27 inflows
Make-II deadlines: 24 and 31 October 2026	Private-sector development routes	Number of respondents; shortlisting
DPIIT decision on defence FDI	Could unlock foreign capital	Amendment to Press Note or FDI policy
Eighth Pay Commission effect on defence pay and pensions	Fiscal pressure on capital share	FY28 Budget capital share

Event	Why it matters	Indicator to watch
Union Budget February 2027	Next capital outlay and domestic reservation	Capital outlay growth; domestic share above 75%
MoD Year-End Review 2026	Contracts signed and AoNs for FY26 and 2026	Contract value against ₹2.28 lakh crore in FY26
HAL and BEL quarterly results	Order conversion and engine supply	Book-to-bill; Tejas delivery rate

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CHAPTER 18

Defence Data Book: metrics to track

This table is the seed of the annual data book. It lists the indicators used in this report, their latest verified values and the source to refresh from. 'Open' means the value was not confirmed in this pass.

Metric	Latest value	Period	Status
MoD total budget	₹7,84,678 crore	BE FY27	VERIFIED
Defence Services revenue	₹3,65,479 crore	BE FY27	VERIFIED
Capital outlay	₹2,19,306 crore	BE FY27	VERIFIED
Capital acquisition	₹1,85,467 crore	BE FY27	VERIFIED
Domestic reservation	₹1,39,100 crore (75%)	BE FY27	VERIFIED
Defence pensions	₹1,71,338 crore	BE FY27	VERIFIED
Defence as share of GDP	2.0% (1.6% excluding pensions)	FY27	VERIFIED
Defence as share of central spending	14.7%	FY27	VERIFIED
Army revenue expenditure	₹3,96,977 crore	BE FY27	VERIFIED
Navy revenue expenditure	₹61,216 crore	BE FY27	VERIFIED
Air Force revenue expenditure	₹80,796 crore	BE FY27	VERIFIED
Service-wise capital allocation	Consolidated into common heads	FY27	STRUCTURE ONLY
DRDO budget	₹29,100 crore	BE FY27	VERIFIED
R&D share of defence spending	3.7%	BE FY27	VERIFIED
BRO capital works	₹7,394 crore	BE FY27	VERIFIED
Coast Guard budget	₹8,393 crore	BE FY27	VERIFIED
AoN value	₹6.73 lakh crore (55 proposals) FY26; about ₹7.6 lakh crore Feb-Sep 2026	FY26; 2026	VERIFIED (PRESS FOR FY26)
Capital contracts signed	₹2.28 lakh crore, 503 proposals	FY26	SECONDARY
Domestic share of contracts	92%	FY25	VERIFIED
Defence production	₹1,78,000 crore	FY26	VERIFIED
Private share of production	24% (about ₹42,000 crore)	FY26	VERIFIED
Defence exports	₹38,424 crore	FY26	VERIFIED

Metric	Latest value	Period	Status
Private exports / DPSU exports	₹17,353 crore / ₹21,071 crore	FY26	VERIFIED
Exporting firms with authorisations	145	FY26	SECONDARY
Export destinations	80+ countries	FY26	VERIFIED
Defence imports (value)	Not available	-	OPEN
Country-wise export values	Not available	-	OPEN
Positive Indigenisation Lists (service / DPSU)	5 (509 items) / 6 (5,417 items)	Sep 2026	VERIFIED
SRIJAN items offered / indigenised	About 33,000 / 15,700	Jun-Sep 2026	VERIFIED
DPSU orders on domestic vendors	About ₹10,000 crore	Mar 2026	VERIFIED
iDEX innovators / contracts	676 / 551	Mar 2026	VERIFIED
iDEX outlay / ADITI outlay	₹498.78 crore / ₹750 crore	FY26	VERIFIED
TDF projects / ToT agreements	81 (₹344 crore) / 1,918	2025	VERIFIED
Licensed companies / MSMEs / DPSUs	430+ / about 16,000 / 16	2025	VERIFIED (MOD)
Defence FDI, cumulative	\$32.29 million	Apr 2000-Mar 2026	VERIFIED
HAL order book	₹2.54 lakh crore	Mar 2026	SECONDARY
BEL order book	₹73,882 crore (₹72,300 crore after Q1 FY27)	Apr-Jun 2026	SECONDARY
BDL order book	₹26,176 crore	Mar 2026	SECONDARY
Solar Industries defence revenue / order book	₹2,634 crore / about ₹18,000 crore	FY26	SECONDARY
Bharat Forge defence order book	₹10,961 crore	FY26	SECONDARY
UP corridor committed / realised	₹42,322 crore / ₹4,894 crore	Mar 2026	VERIFIED (ORF)
Tamil Nadu corridor committed / realised	₹32,699 crore / ₹6,446 crore	Apr 2026	SECONDARY
CAPF budget (seven forces)	₹1,16,789 crore	BE FY27	VERIFIED
MHA budget / capital outlay (Police)	₹2,55,234 crore / ₹21,272 crore	BE FY27	VERIFIED
CAPF Modernisation Plan-IV total outlay	₹1,523 crore	To Jul 2026	VERIFIED
Personnel shortfall	About 1.19 lakh (8%)	Oct 2024	VERIFIED
Fighter squadrons	31 against 42 authorised	Dec 2024	VERIFIED
Drone intrusions along the border	791 (237 neutralised)	2025	VERIFIED
Police and forensic technology spending	Not available	-	OPEN
Defence cyber and AI budgets	Not available	-	OPEN
Aggregate market cap and margins of listed set	Not compiled	-	OPEN

A

APPENDIX A

Data tables

A1. MOD BUDGET, VERIFIED POINTS

Year	Capital outlay BE (₹ crore)	Total MoD BE (₹ crore)	Domestic share of capital acquisition budget
FY2020-21	not verified	not verified	40%
FY2021-22	not verified	not verified	58%
FY2022-23	not verified	not verified	68%
FY2023-24	1,62,600	not verified	75%
FY2024-25	1,72,700	not verified	75%
FY2025-26	1,80,000	6,81,210	75%
FY2026-27	2,19,306	7,84,678	75%

A2. TOP MILITARY SPENDERS, 2025 (SIPRI)

Country	US\$ billion	Country	US\$ billion
United States	954	United Kingdom	89
China	336	Ukraine	84.1
Russia	190	Saudi Arabia	83.2
Germany	114	France	68
India	92.1	Japan	62.2

A3. KEY PROGRAMME DATES IN 2026

Date	Event
1 Feb 2026	Union Budget: MoD ₹7,84,678 crore
10-11 Feb 2026	Draft DAP 2026 released; comments due 3 March
12 Feb 2026	DAC AoN about ₹3.60 lakh crore (114 Rafale, six P-8I)
27 Mar 2026	DAC AoN about ₹2.38 lakh crore (S-400, Medium Transport Aircraft)
2 Apr 2026	Exports of ₹38,424 crore announced
28 May 2026	Finance Ministry clears P-75(I)
17 Jun 2026	Production of ₹1.78 lakh crore announced
3 Jul 2026	DAC AoN about ₹52,000 crore (counter-UAS, MPATGM)

Date	Event
18 Jul 2026	Defence Minister says new DAP will come 'this year'
18 Aug 2026	Sixth Positive Indigenisation List (405 items)
31 Aug 2026	Government confirms consultation on easing defence FDI
7 Sep 2026	DAC AoN about ₹1.10 lakh crore
18 Sep 2026	HAL delivers two Tejas trainers and three HTT-40
27 Sep 2026	Defence Minister's address: 33,000 SRIJAN items, 676 iDEX innovators

B

APPENDIX B

Glossary

Term	Meaning
AoN	Acceptance of Necessity: in-principle approval by the DAC to issue an RFP
DAC / DPB	Defence Acquisition Council / Defence Procurement Board
DAP / DPM	Defence Acquisition Procedure (capital) / Defence Procurement Manual (revenue)
IDDM	Indigenously Designed, Developed and Manufactured
IC	Indigenous content
PIL	Positive Indigenisation List: items barred from import after a set timeline
SRIJAN	DDP portal on which DPSUs and services offer imported items for indigenisation
Make-I / II / III	Government-funded, industry-funded and indigenisation development routes
iDEX / ADITI / TDF	Innovations for Defence Excellence / Acing Development of Innovative Technologies with iDEX / Technology Development Fund
DTIS	Defence Testing Infrastructure Scheme
G2G / CCS / ToT	Government-to-government / Cabinet Committee on Security / Transfer of technology
CAPF	Central Armed Police Forces: CRPF, BSF, CISF, ITBP, SSB, Assam Rifles, NSG
BE / RE	Budget Estimate / Revised Estimate
TRL	Technology Readiness Level, 1 to 9
MRO	Maintenance, repair and overhaul
SCOMET	Special Chemicals, Organisms, Materials, Equipment and Technologies: India's export-control list

APPENDIX C

C Open verification items and source register

C1. ITEMS TO CLOSE BEFORE PUBLICATION

- ◆ Confirm DAP 2026 status on the MoD website and note any notification after 30 September 2026.
- ◆ Pull the FY2020-24 budget series, defence imports and country-wise exports from the Expenditure Budget, DDP booklets and Parliament answers.
- ◆ Profile the remaining DPSUs (BEML, MIDHANI, GRSE, Goa Shipyard, Hindustan Shipyard, the seven ex-OFB companies) from annual reports.
- ◆ Build the private-company, startup-funding and state-incentive databases from filings and the DDP compendium.
- ◆ Confirm police-technology and state budgets and CAPF procurement rules.
- ◆ Confirm the Rafale local-build share and the IAF items in the 7 September AoN against the PIB release.
- ◆ Re-verify all press-reported company results against filings.

C2. PRIMARY AND KEY SOURCES

Source	Used for
Union Budget 2026-27 (indiabudget.gov.in); PIB, 1 Feb 2026	Budget, domestic reservation
MP-IDSA, 'Ministry of Defence 2026-27 Budget Estimates: An Analysis' (26 Feb 2026)	Budget tables, capital heads, absorption
PRS Legislative Research, Demand for Grants 2026-27: Defence (17 Feb 2026); Home Affairs (Aug 2026)	Composition, service revenue, personnel, imports, CAPF
PIB: production FY26 (17 Jun 2026); exports FY26 (2 Apr 2026); draft DAP 2026 (13 Feb 2026)	Production, exports, DAP 2026
All India Radio: DAC 12 Feb, 27 Mar 2026; DPM 2025 (23 Oct 2025)	AoN, DPM
Rajnath Singh address, 27 Sep 2026 (PIB / rajnathsingh.in)	PIL, SRIJAN, iDEX, DPSU lists
SIPRI, Trends in World Military Expenditure 2025 (27 Apr 2026)	Global comparison
Business Standard (31 Aug 2026; 28 Jul 2026)	FDI consultation; BEL Q1 FY27
ORF; PIB (2022); BigInfo	Defence industrial corridors
Defence Standard; Army Recognition; Naval News; Multibagg; Whalesbook; ScanX	Programme and company figures (secondary)
Department of Defence Production (ddpmod.gov.in)	Acts and policies; DAP 2020; SRIJAN; notices

Figures from secondary sources are flagged in the text. This report is a research framework and market map, not legal or investment advice. Procurement status, budget figures, policy documents, FDI rules, export controls and programme timelines can change; check the current notification, RFP, DAP or DPM provision, FDI policy, DGFT notification or contract before relying on any individual conclusion.



KING STUBB & KASIVA
ADVOCATES AND ATTORNEYS

India Defence, Aerospace & National Security 2026

Markets, procurement, indigenisation, technology, investment and regulation

CUT-OFF: 30 SEPTEMBER 2026

This is a research report, not legal or investment advice, and it makes no investment recommendation. Every figure is labelled by type and date; where a number could not be confirmed against a government source it is marked "not verified".

THE TEAM

Partner-led, end to end.



Jidesh Kumar
MANAGING PARTNER
Jidesh@ksandk.com



Rajesh Sivaswamy
SENIOR PARTNER
Rajesh@ksandk.com

New Delhi

RNM Tower, 5th Floor, Metro pillar no 331, i4, B 1, NH-19, Mohan Cooperative Industrial Estate, New Delhi, 110044
Tel: +911141318190/41032969
Email: delhi@ksandk.com

Bangalore

1A, 1B, 2B & 3B Lavelle Mansion, 1/2, Lavelle Road, Bangalore
Tel: +91 80 41179111/41179222,
Email: bangalore@ksandk.com

Chennai

211, Alpha Wing, Second Floor, Raheja Towers, #177, Anna Salai, Chennai
Tel: +91 44 28605955/28606955
Email: chennai@ksandk.com

Mumbai(1)

61, Atlanta Building, Jamnalal Bajaj Road, Nariman Point, Mumbai
Tel: +91 22 62372076/22020080
Email: mumbai@ksandk.com

Mumbai(2)

301A, 3rd Floor, Piramal Tower, Peninsula Corporate Park, Lower Parel, Mumbai -400013
Tel: +91 22 35253198
Email: mumbai@ksandk.com

Pune

Bootstart Cowork, 1st Floor, Arcadian Building Plot No 12, Lane 5A, Koregaon Park, Pune
Tel: +91 9833555232
Email: pune@ksandk.com

Mumbai(3)

802, 8th Floor, REMI COMMERCIO, Shah Industrial Estate, Veera Desai Road, Andheri Link Road, Behind Yash Raj Studio, Andheri (West), Mumbai - 400 053
Tel: +91 2235253198
Email: mumbai@ksandk.com

Kochi

1st Floor, Manavalan Building, Banerji Road, Ernakulam, Kochi
Tel: +91 484-3592950
Email: kochi@ksandk.com

Hyderabad

608, Shangrila Plaza, Road no. 2, Banjara Hills, Hyderabad, Telangana
Tel: +91 40 48516011/+91 40 48506011
Email: hyderabad@ksandk.com