

## **The Future of Defence Manufacturing is Private**

*- Amitabh Kant\*\**

India's defence sector is in the midst a transformative shift. From being largely dependent on public sector undertakings and imports, the country is now building a strong and self-reliant domestic defence industrial base. The catalyst for this change is a bold policy pivot towards strategic integration of the private sector in defence production and procurement. As we look ahead to India's ambition of becoming a global defence manufacturing hub, it is increasingly clear that the private sector must not only be a partner, but a leader in this journey.

**Competitive Bidding for AMCA** | The recently announced Advanced Medium Combat Aircraft (AMCA) programme, envisioned as India's first home-grown fifth-generation stealth fighter project, represents a watershed moment. By opening it to competitive bidding and seeking private participation, the government is embedding efficiency, innovation, and risk-sharing into the very architecture of the project.

This is a much-needed response to the limitations observed in earlier DRDO-dominated programmes like the Light Combat Aircraft (Tejas), which, despite eventual success, faced significant delays and cost overruns. The new model seeks to balance the strengths of DRDO's research capabilities with the execution muscle and industrial scalability of the private sector.

**From Monopoly to Market** | India's defence procurement ecosystem has long been characterised by opacity, limited competition, and an overwhelming reliance on state-owned enterprises. However, over the past decade, the Ministry of Defence has moved towards a more transparent, market-oriented system.

The Defence Procurement Procedure 2016 was revised to the Defence Acquisition Procedure (DAP) 2020 with an aim to provide the highest degree of public accountability, transparency, fair competition and a level-playing field for Indian private defence industries. By prioritising Indian vendors under categories such as 'Buy Indian-IDDM (Indigenously Designed, Developed and Manufactured)' and 'Buy and Make (Indian)', DAP 2020 has pushed procurement towards open competition while reducing reliance on single-vendor nominations. Further, initiatives like iDEX (Innovations for Defence Excellence) and SAMARTHYA are driving technological advancements in AI, cyber warfare, and indigenous weapon systems.

The announcement to develop the AMCA through competitive bidding must be seen as a natural extension of this evolving policy framework. For the first time, a high-value, strategically critical fighter aircraft programme is being opened to private sector-led

development. This represents a higher level of confidence in the private sector's capacity to lead complex, end-to-end platform development.

**Industry Gains Ground |** The private sector's share in India's defence production now stands at Rs 32,000 crore and is about 21 per cent of the total defence production. Start-ups are increasingly entering the fray with cutting-edge solutions in robotics, UAVs, surveillance systems, and AI-based battlefield intelligence.

The success of companies like Larsen & Toubro, Bharat Forge, Tata Advanced Systems, and several others in supplying critical components, platforms, and sub-systems to the Indian armed forces and global OEMs demonstrates the readiness of Indian industry to take on higher-value and more strategic roles. What they now need is a consistent pipeline of projects, policy stability, and timely decision-making along with a significantly greater investment in R&D.

### **Scale, Innovation and Global Reach**

India's target of reaching ₹3 lakh crore in defence production by 2029 is ambitious but achievable. While policy reforms have opened the doors for private participation in India's defence sector, realising its full potential will require sustained institutional support, streamlined processes and deeper industry-government collaboration.

**Accelerating project execution:** Timely project execution will generate a predictable demand pipeline, enabling private firms to invest in long-term capacity. This will not only reduce cost overruns but also catalyse the emergence of domestic platform integrators with global delivery capabilities. Crucially, faster and more reliable execution of defence projects will enhance India's operational readiness and strategic autonomy, thereby strengthening national security.

**Boosting R&D investment:** India can transition from technology importer to global innovator by incentivising greater private investment in R&D through measures such as tax breaks and joint research initiatives. This shift would help build proprietary IP, attract global buyers and reduce strategic dependencies.

**Streamlining procedures:** Simplifying procurement and introducing a single-window clearance mechanism would reduce entry barriers and encourage a broader spectrum of players to enter defence production. While platforms like the National Single Window System (NSWS) have improved overall ease of doing business, a dedicated defence-focused clearance mechanism, with integrated MoD-specific approvals, is essential to streamline private sector entry into this highly regulated space. The resulting competition will boost efficiency and enhance quality into critical sub-sectors.

**Spurring strategic industry growth:** Greater private sector participation in defence manufacturing will also unlock powerful spillover effects across the broader industrial ecosystem. As private companies ramp up production of high-tech defence platforms, demand will surge in allied sectors such as metallurgy, composite materials, precision tooling, electronics and semiconductors, cybersecurity, and advanced manufacturing. The ripple effect will drive India's broader industrial modernisation and enhance the resilience of its manufacturing base.

India is at the cusp of converting defence reform into an engine for broader industrial resurgence and global leadership. Defence manufacturing has always been the key to all innovation and industrial growth—if India is to become a manufacturing powerhouse, defence is the first frontier. The internet, GPS, canned food, and the development of computers and digital cameras were all military innovations that made their way into mainstream culture and everyday life.

The shift towards competitive bidding, co-development models, and greater transparency signals a new era for India's defence and manufacturing sectors. By creating space for greater participation of private firms in defence, India stands ready to nurture its own national champions capable of shaping global supply chains on par with the best in the world. With the right execution, this policy shift can propel India's rise as a formidable force in defence manufacturing and strategic innovation.

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