The Indian Defense Industry: Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017

Description: Product Synopsis
This report is the result of SDI/ICD Research's extensive market and company research covering the Indian defense industry. It provides detailed analysis of both historic and forecast defense industry values including key growth stimulators, analysis of the leading companies in the industry, and key news.

Introduction and Landscape
Why was the report written?
The Indian Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017 offers the reader insights into the market opportunities and entry strategies adopted by foreign original equipment manufacturers (OEMs) to gain market share in the Indian defense industry.

What is the current market landscape and what is changing?
The Indian defense market offers numerous market opportunities to both domestic and foreign manufacturers. As one of the largest defense equipment markets in the world, the country is expected to spend US$120.3 billion on capital acquisition alone during the forecast period. In the next two years, the country is forecast to spend a significant amount of money on homeland security, intelligence and cyber security, primarily due to an increasingly hazardous geopolitical environment, the threat of terrorism and internal security concerns.

What are the key drivers behind recent market changes?
The Indian defense expenditure is primarily driven by the need to replace the country's ageing military hardware and to protect India from its hostile neighbours. The country's strong economic growth has also fuelled India's defense industry growth. The China and Pakistan are spending heavily on enhancing their military power, which is putting pressure on the Indian government to increase its defense expenditure and focus on modernizing its armed forces.

What makes this report unique and essential to read?
The Indian Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017 provides detailed analysis of the current industry size and growth expectations from 2013 to 2017, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

Key Features and Benefits
The report provides detailed analysis of the current industry size and growth expectations from 2013 to 2017, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides detailed understanding of emerging opportunities in specific areas.

The report includes trend analysis of imports and exports, together with its implications and impact on the Indian defense industry.

The report covers five forces analysis to identify various power centers in the industry and how these are expected to develop in the future.

The report allows readers to identify possible ways to enter the market, together with detailed descriptions of how existing companies have entered the market, including key contracts, alliances and strategic initiatives.

The report helps the reader to understand the competitive landscape of the defense industry in India. It provides an overview of key defense companies together with insights such as key alliances, strategic initiatives and a brief financial analysis.

Key Market Issues
Despite expanding opportunities in the Indian defense industry, the government's comparatively strict regulatory regime poses challenges for foreign investors who are keen to enter the country. With an FDI
limit of just 26%, foreign OEMs are unwilling to extend sensitive technologies to their Indian joint venture partners. The critical area of concern is the offsets in defense, which have been placed at 30%, and in some cases, such as in the development of Medium Multi-Role Combat Aircraft (MMRCA), offsets rise to 50%.

As a percentage of GDP, Indian defense expenditure stood at 2.1% during 2012. While this is a larger percentage than China, the country's defense expenditure as a percentage of GDP is lower than the majority of large spenders such as US and Russia. During the forecast period, Indian defense expenditure as a percentage of GDP is expected to increase to 2.3%.

Insufficient information and the lack of clear future plans have been a key challenge for both the private sector and foreign companies in planning the development of research and development technology or the formation of joint ventures. Although the Ministry of Defense has agreed to provide a public version of the long-term plan, its effectiveness remains to be seen.

Since the early 1970s, the Indian defense procurement process has included corruption, delays and bureaucratic hurdles, due to the monopoly of the civilian bureaucracy and politicians over the purchase decisions of the armed forces. Indeed, although the armed forces are in charge of conducting trials on shortlisted equipment and forwarding their recommendations to the Ministry of Defense, any financial negotiations are conducted by civilian officials. This gives rise to the opportunity for corruption, by way of bribes and collecting money for election funds.

Key Highlights

The Indian defense industry is one of the fastest-growing global defense markets. India's defense capital expenditure, which refers to the part of the defense budget that is spent on the acquisition of all types of military hardware and technology, has grown at a CAGR of 16.22% over the review period. In 2012, India was allocated US$15.36 billion for defense capital expenditure in the budget. Defense expenditure is expected to record a CAGR of 13.35% during the forecast period, to reach an annual expenditure of US$69.41 billion by 2017.

Government spending on India's homeland security market has increased significantly as a result of terrorist attacks, the smuggling of arms and explosives, and domestic insurgency. In 2012, the country's homeland security budget registered an increase of 13.4% over the previous year, with the Central Reserve Police Force (CRPF) receiving the largest share of the budget. Due to the nature of the security threats which the country faces, the main opportunities for growth in homeland security are expected in the aviation, mass transportation and maritime security markets.

India's defense imports increased considerably during 2007-2011, making it the largest global defense importer in 2011. The country's imports constituted 8.5% of the total global arms transfer in 2011. The government's modernization plans, combined with the external threats faced by India, have led to the country requiring a large amount of imports to fulfill its defense requirements. Since India's domestic defense industry is limited, India is expected to continue importing large amounts of its defense requirements over the forecast period.

India's defense industry is still in its early development stage, and defense exports are limited to a few neighboring countries and less developed nations such as Mauritius, Bangladesh, Nepal and Indonesia. During review period, ships, aircraft and sensors were the three-most exported defense goods. Exports are expected to increase during the forecast period, in line with the growth in the private sector. During the forecast period, foreign OEMs will focus on meeting their offset norms through sourcing. Consequently, India could become the manufacturing and sourcing hub of these foreign OEMs. Major companies such as BAE Systems and Lockheed Martin are considering setting up a manufacturing center in India to serve the global market.
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