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EDITORIAL ANALYSIS

India's Defence Procurement Dilemma — Strategic Autonomy vs Speed of Acquisition



CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

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GS2

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INTERVIEW ANGLE



"How should India balance the Make in India push in defence with the urgent need to close the capability gap with China?"

India's Defence Procurement Dilemma — Strategic Autonomy vs Speed

The Ministry of Defence released the draft Defence Acquisition Procedure (DAP) 2026 in February 2026, proposing a fundamental shift from "Made in India" to "Owned by India" in defence procurement.

Simultaneously, the Union Budget 2026-27 allocated a record Rs 7.85 lakh crore to the defence ministry — a 15.19% increase over FY 2025-26 — even as the IAF squadron strength has fallen to 29 against a sanctioned 42.5, and China continues to widen the military capability gap with a defence budget exceeding \$277 billion.

The Strategic Context

India confronts a **paradox** that few democracies face with such urgency. On one hand, the Atmanirbhar Bharat vision demands that the country build a self-reliant defence industrial base — owning the intellectual property, design documents, and source code of weapons platforms rather than merely assembling foreign equipment under licence. On the other hand, the pace of Chinese military modernisation — with over 300 J-20 fifth-generation fighters inducted in 2025 alone, the commissioning of the 80,000-tonne carrier Fujian with electromagnetic launch systems, and the unveiling of the J-36 stealth fighter — compresses the timeline within which India must field credible deterrence.

The dilemma is structural: **indigenisation** takes decades, but the threat environment operates on a much shorter clock. Every year that India spends developing a platform domestically is a year the capability gap with China widens. Yet every emergency import from Russia, France, or the United States deepens strategic dependence and drains foreign exchange. The draft DAP 2026, the record defence budget, and the evolving threat landscape together frame the central question of Indian defence policy: how to be self-reliant without being strategically vulnerable in the interim.

India's Defence Budget 2026-27: The Numbers

The FY 2026-27 allocation marks the highest-ever defence budget in absolute terms. However, a closer examination reveals structural constraints that limit the modernisation push.

PARAMETER	FY 2025-26 (BE)	FY 2026-27 (BE)	CHANGE
Total MoD allocation	Rs 6.81 lakh crore	Rs 7.85 lakh crore	+15.19%
Capital expenditure	Rs 1.80 lakh crore	Rs 2.19 lakh crore	+21.7%
Capital acquisition	Rs 1.50 lakh crore	Rs 1.85 lakh crore	+23.3%
Domestic procurement share	75% of capital acquisition	75% of capital acquisition	Maintained
DRDO allocation	Rs 23,855 crore	Rs 29,100 crore	+22%
Defence as % of GDP	~1.9%	~1.9%	Stagnant
Pay and allowances share	~26%	~26.4%	Marginal rise
Pensions share	~22%	~21.8%	Marginal decline

The headline figure of Rs 7.85 lakh crore is impressive, but nearly 48% of the defence budget goes toward revenue expenditure — salaries, pensions, and maintenance — leaving just over half for actual capability building. Defence experts and parliamentary committees have repeatedly recommended raising the allocation to 2.5-3% of GDP to build credible deterrence against a two-front contingency involving China and Pakistan. At 1.9% of GDP, India remains well below this threshold.

For context, China allocated 1.90 trillion yuan (\$277 billion) to defence in 2026 — roughly 3.5 times India's budget in absolute terms. China's defence spending exceeds the combined military budgets of India, Japan, South Korea, and Australia.

Make in India in Defence: Progress and Performance

The indigenisation push has yielded measurable results over the past decade.

Production milestones:

- Defence production reached a record Rs 1,50,590 crore (\$17.57 billion) in FY 2024-25, up from Rs 1,27,000 crore in FY 2023-24 (a 16.7% increase)
- 65% of defence equipment is now produced within India
- Defence exports grew nearly 35 times over the past decade, reaching Rs 23,622 crore (\$2.8 billion) in FY 2024-25
- India now exports defence products to over 100 countries
- Target for FY 2025-26: Rs 30,000 crore in exports; long-term target: Rs 50,000 crore by 2029

Defence Public Sector Undertakings (DPSUs):

- 16 DPSUs contribute approximately 79.2% of total defence production value
- Four new DPSUs — Munitions India Limited (MIL), Armoured Vehicles Nigam Limited (AVNL), India Optel Limited (IOL), and Hindustan Shipyard Limited (HSL) — received Miniratna Category-I status following performance reviews
- R&D spending planned to double to Rs 32,766 crore over the next five years, compared to Rs 30,952 crore invested in the previous decade
- Private sector share remains at 20.8% of output — still far below its potential

Positive Indigenisation Lists (PILs):

- Five PILs notified by the Department of Defence Production, covering 5,012 items total
- Of these, 2,972 items with import substitution value of Rs 3,400 crore have already been indigenised
- Over 36,000 defence items offered to industry for indigenisation; more than 12,300 items indigenised in the last three years
- Defence Industrial Corridors in Uttar Pradesh and Tamil Nadu have attracted over Rs 8,658 crore in investment and signed 253 MoUs worth Rs 53,439 crore

Key Procurement Categories Under DAP

The Defence Acquisition Procedure defines a hierarchy of procurement categories, each reflecting a different degree of indigenisation.

CATEGORY	DEFINITION	INDIGENOUS CONTENT (IC)
Buy (Indian-IDDMM)	Indigenously Designed, Developed and Manufactured by Indian vendor	Minimum 50% IC
Buy (Indian)	Acquired from Indian vendor; may not be indigenously designed	Minimum 60% IC
Buy & Make (Indian)	Initial import in fully formed state, followed by indigenous production with Transfer of Technology	Progressive IC increase
Buy (Global — Manufacture in India)	Foreign OEM manufactures in India (replaced old “Buy and Make”)	Manufacturing localisation
Buy (Global)	Direct import from foreign vendor	No IC requirement
Make	Prototyping and production by Indian industry with government funding	High IC
Strategic Partnership	Long-term partnership between Indian and foreign firms for select platforms	Progressive IC

DAP 2026 — The Philosophical Shift:

The draft DAP 2026 represents a fundamental departure from DAP 2020. The core change: from prioritising *where* equipment is manufactured to prioritising *who owns* its design, intellectual property, and source code. Under the revised framework, a product qualifies as “indigenously designed” only if the Indian company owns the design documents, software source code, circuit layouts, and core architecture — and possesses sole rights to produce, upgrade, and export without requiring foreign approval.

Other key proposals in DAP 2026 include:

- **Phased Indigenous Content:** Instead of rigid upfront IC thresholds, vendors could start at 30% in the first year and progressively increase over several years
- **Single-vendor fast track:** A special procurement route for Indian entities, limited to specialised items capped at Rs 100 crore per case
- **Civil-military fusion:** Integrating civilian technology ecosystems with defence requirements
- **Export-driven framework:** Targeting *strategic autonomy* by 2047

DRDO Success Stories: The Proof of Concept

Despite systemic delays, DRDO has delivered several platforms that demonstrate India’s capacity for indigenous defence development.

Tejas Light Combat Aircraft:

- Sanctioned in 1983; first squadron operationalised in 2019 — a 36-year journey
- 83 Tejas Mk1A on order for the IAF (delivery in progress)
- Tejas Mk2 — a heavier, more capable variant — under advanced development
- Export interest from multiple countries at Dubai Airshow 2025

BrahMos Supersonic Cruise Missile:

- Joint venture with Russia; produced and assembled in India
- Philippines purchased three coastal defence batteries in 2022 for \$322 million
- Two new export contracts worth \$455 million signed in October 2025
- Indonesia entered a \$200-350 million agreement in March 2026
- BrahMos Long Range (800 km) completed successful trials in 2025; multi-phase trials scheduled for 2026
- BrahMos-II hypersonic variant under development targeting Mach 8 speed and 1,500 km range

Raksha Kavach Multi-Layer Defence System:

- Demonstrated at Republic Day Parade 2025 and Aero India 2025
- Integrates VSHORAD, Dharashakti electronic warfare, Arudhra radar, QRSAM, ATAGS, AEW&CS, and UAVs

- Designed to protect high-value assets from multi-domain threats

MPATGM (Man Portable Anti-Tank Guided Missile):

- Third-generation fire-and-forget missile with direct-attack and top-attack modes
- Successfully tested against a moving target in top-attack mode on 11 January 2026
- DRDO confirmed readiness for induction into the Indian Army

iDEX (Innovations for Defence Excellence):

- Budgetary support of Rs 498.78 crore for 2021-22 to 2025-26
- Provides grants up to Rs 1.50 crore to startups and MSMEs
- Over 2,000 defence startups and 300 space startups driving deep-tech innovation
- ADITI (Acing Development of Innovative Technologies with iDEX) 4th edition and DISC 14th edition launched with May 2026 deadlines
- Focus areas: AI, quantum computing, autonomous systems, directed energy

Challenges in Defence Procurement

Despite the progress, India's procurement system suffers from deep structural weaknesses.

1. Procurement Timelines: The average acquisition timeline remains seven to eight years. Formulating a Request for Proposal (RFP) alone takes two to three years. Major capital acquisition programmes routinely take a decade before fielding. The MoD has set a target to reduce this to under two years, but institutional inertia, multi-layered approvals, and risk-averse bureaucratic culture remain formidable obstacles.

2. IAF Squadron Crisis: The Indian Air Force operates just 29 fighter squadrons against a sanctioned strength of 42.5 — lower than the 32 squadrons India had during the 1965 war. Even with the Tejas Mk1A, Tejas Mk2, and the 114 Rafale Multi-Role Fighter Aircraft (MRFA) programme proceeding on time, projections suggest only 35-36 squadrons can be achieved by 2035. The 42-squadron target has been effectively derailed.

3. Revenue vs Capital Imbalance: Nearly half the defence budget is consumed by pay, allowances, and pensions. This structural burden limits the capital available for new platforms, technology development, and maintenance of existing assets. The problem will worsen as the armed forces age without proportional modernisation.

4. Private Sector Participation: Private sector contributes only 20.8% of defence production value. Despite policy reforms — including 100% FDI via the automatic route for certain categories — the private sector faces barriers in testing facilities, order guarantees, and level-playing-field issues with DPSUs.

5. Technology Gaps: India still lacks domestic capability in critical areas: aero-engines (the Kaveri programme remains incomplete), advanced sensors, electronic warfare suites, submarine propulsion systems, and semiconductor fabrication for defence-grade chips. These gaps force continued dependence on imports for high-end subsystems even when the platform itself is “indigenous.”

The China Factor

China's military modernisation presents the most consequential challenge to India's security calculus.

The Scale of the Gap:

- China's 2026 defence budget (\$277 billion) is approximately 3.5 times India's (~\$80 billion)
- The PLA Air Force inducted over 300 J-20 fifth-generation fighters and began deliveries of the J-35A stealth aircraft in 2025
- The PLA Navy surpassed the United States in hull numbers and overall tonnage in 2025
- China commissioned nine major surface combatants and completed the carrier Fujian in 2025
- The J-36 stealth fighter and Type 076 amphibious assault ship have been unveiled
- Pakistan has agreed to purchase the Chinese J-31 stealth fighter variant, with deliveries expected by 2026

The C4ISR Advantage: China's rapidly maturing Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) architecture — including expanding space-based ISR capabilities — gives the PLA significantly deeper visibility across the Himalayas and the Indian Ocean. This intelligence *asymmetry* compounds the hardware gap.

The Timeline Problem: India cannot match China dollar-for-dollar. The response must be *asymmetric* — leveraging geography, alliances (Quad, bilateral defence partnerships with France, the US, and Japan), niche technologies (missile systems, underwater capabilities), and doctrinal innovation. But this requires procurement decisions to be made in years, not decades. The current system is incompatible with the speed of the threat.

Reforms Needed

- 1. Accept Interim Imports for Critical Gaps:** Strategic autonomy is a destination, not a starting point. India must accept that certain capabilities — fifth-generation fighters, nuclear submarines, advanced AESA radars — require interim imports while domestic alternatives mature. The 114 Rafale decision is a step in this direction. The key is to pair imports with binding Transfer of Technology agreements and mandatory co-production clauses.
- 2. Compress Procurement Timelines:** The target of sub-two-year procurement must be enforced with accountability mechanisms. Single-window clearance for items below Rs 500 crore, delegated financial powers to Service Headquarters, and pre-approved vendor lists can eliminate years of procedural delay.
- 3. Empower the Private Sector:** The 20.8% private sector share is unacceptable for a country aspiring to be a top-five defence exporter. India needs guaranteed order books for private firms, shared testing and certification infrastructure, and a level playing field with DPSUs on pricing and timelines.
- 4. Ring-Fence Capital Expenditure:** Defence capital expenditure should be separated from the revenue budget and protected from mid-year cuts. A dedicated Defence Modernisation Fund — recommended by multiple committees — would ensure multi-year procurement commitments are honoured regardless of fiscal

pressures.

5. Invest in Critical Technologies: India must prioritise sovereign capability in aero-engines, semiconductor fabrication, AI-driven autonomous systems, and space-based ISR. These are the technologies that will define military power in the 2030s and 2040s. DRDO allocation increases are welcome, but the spend must be directed toward bridging specific technology gaps rather than spread thinly.

6. Strengthen the iDEX Ecosystem: The iDEX model of engaging startups is promising but needs scale. Grants of Rs 1.50 crore are insufficient for deep-tech defence R&D. The budget envelope must expand by an order of magnitude, and the pathway from prototype to procurement order must be streamlined so that successful innovations are inducted within 2-3 years, not relegated to perpetual trial.

UPSC Angle

This editorial intersects multiple dimensions of the UPSC syllabus:

- **GS2 (Governance):** Defence procurement procedure, role of the Defence Acquisition Council, civil-military relations, parliamentary oversight of defence spending, CDS and theaterisation reforms
- **GS3 (Security):** India's internal and external security challenges, border management, role of technology in security, defence indigenisation, self-reliance in defence production
- **GS3 (Economy):** Defence industrial corridors, FDI in defence, impact of defence spending on fiscal deficit, Make in India and industrial policy
- **Essay/Interview:** The tension between strategic autonomy and strategic vulnerability; whether India can afford to wait for indigenous capability while threats mount

UPSC RELEVANCE

DAP 2026 categories (Buy Indian-IDDM, Buy Indian, Buy Global-MII), Positive Indigenisation Lists, iDEX, BrahMos exports, Tejas variants, DRDO systems (Raksha Kavach, MPATGM, QRSAM), Defence Industrial Corridors, DPSU Miniratna status, defence budget as % of GDP.

MAINS GS-2:

Defence procurement governance, DAC structure, CDS role, civil-military fusion, parliamentary standing committee on defence.

MAINS GS-3:

Indigenisation vs imports debate, defence exports growth, technology gaps, China threat assessment, asymmetric deterrence strategy, role of private sector and startups in defence.

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DEFENCE BUDGET 2026-27:

- Total MoD allocation: Rs 7.85 lakh crore (15.19% increase over FY 2025-26)
- Capital expenditure: Rs 2.19 lakh crore (27.95% of total MoD allocation)
- Capital acquisition: Rs 1.85 lakh crore (~24% increase over FY 2025-26)
- Domestic procurement: Rs 1.39 lakh crore (75% of capital acquisition reserved for domestic industry)
- DRDO allocation: Rs 29,100.25 crore (capital share: Rs 17,250.25 crore)
- Defence as percentage of GDP: ~1.9% (recommended: 2.5-3%)
- Pay, allowances, and pensions: ~48% of total defence budget

CHINA COMPARISON:

- China 2026 defence budget: 1.90 trillion yuan (\$277 billion) — ~3.5x India's budget
- PLA Air Force: 300+ J-20 fifth-gen fighters inducted in 2025; J-35A deliveries begun
- PLA Navy: surpassed US in hull numbers and tonnage in 2025
- Carrier Fujian: ~80,000 tonnes with EMALS — largest non-American carrier ever built

IAF SQUADRON STRENGTH:

- Current: 29 squadrons (sanctioned: 42.5 for two-front contingency)
- During 1965 war: 32 squadrons
- Projected by 2035 (best case): 35-36 squadrons
- 114 Rafale MRFA approved to partially address shortfall

DEFENCE PRODUCTION AND EXPORTS:

- Defence production FY 2024-25: Rs 1,50,590 crore (\$17.57 billion) — record
- Defence exports FY 2024-25: Rs 23,622 crore (\$2.8 billion) — 35x growth in a decade
- Exports to 100+ countries worldwide
- Export target FY 2025-26: Rs 30,000 crore; by 2029: Rs 50,000 crore

DAP CATEGORIES:

- Buy (Indian-IDDM): Minimum 50% Indigenous Content
- Buy (Indian): Minimum 60% Indigenous Content
- Buy (Global-MII): Foreign OEM manufactures in India (replaced old Buy & Make)

DAP 2026 shift: from “Made in India” to “Owned by India” (IP ownership focus)

INDIGENISATION PROGRESS:

Five Positive Indigenisation Lists: 5,012 items total; 2,972 indigenised (Rs 3,400 crore import substitution)

Over 12,300 items indigenised in last three years

Defence Industrial Corridors (UP and Tamil Nadu): Rs 8,658 crore invested; 253 MoUs worth Rs 53,439 crore

65% of defence equipment now produced in India

KEY INDIGENOUS PLATFORMS:

Tejas LCA: sanctioned 1983, first squadron 2019; 83 Mk1A on order; Mk2 under development

BrahMos: exported to Philippines (\$322 million, 2022); two contracts worth \$455 million (October 2025); Indonesia agreement (\$200-350 million, March 2026)

BrahMos-LR: 800 km range; successful 2025 trials; multi-phase trials in 2026

MPATGM: fire-and-forget; successful moving-target test January 2026; ready for induction

Raksha Kavach: multi-layer multi-domain defence system (VSHORAD, QRSAM, ATAGS, EW, AEW&CS)

IDEX AND STARTUPS:

Budget: Rs 498.78 crore (2021-22 to 2025-26)

Grants: up to Rs 1.50 crore per startup

2,000+ defence startups and 300+ space startups engaged

ADITI 4th edition and DISC 14th edition: deadline May 2026

DPSUs: 16 undertakings; 79.2% of production value; private sector: 20.8%

PROCUREMENT TIMELINES:

Current average: 7-8 years; RFP formulation alone: 2-3 years

MoD target: under 2 years

Major programmes routinely take a decade before fielding

OTHER RELEVANT FACTS:

Defence R&D spending to double to Rs 32,766 crore over next five years

Pakistan to receive Chinese J-31 stealth fighter variant by 2026

India approved 114 Dassault Rafale fighters in \$36 billion defence overhaul

Srijan Portal hosts indigenisation opportunities for industry

FDI in defence: up to 100% via automatic route for certain categories

CDS post created in 2019 to bring jointness and integration across services

Sources: [PIB](#), [Indian Express](#), [ORF](#), [MP-IDSA](#), [Drishti IAS](#), [IBEF](#)



CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

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