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# India's Defence Export Surge: The Private Sector Equation

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# India's Defence Export Surge: The Private Sector Equation

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## INTERVIEW ANGLE

*"India's defence exports have grown 20x in a decade, but the private sector still trails DPSUs. What structural reforms are needed for India's private defence industry to become globally competitive?"*

## WHY IN NEWS

India's defence exports reached a record ₹38,424 crore in FY 2025-26, growing 62.66% over the previous year. Defence Public Sector Undertakings (DPSUs) led with ₹21,071 crore (+151% growth), while the private sector contributed ₹17,353 crore (+14%).

## THE EDITORIAL ARGUMENT

India's defence export success is real and significant — but the data reveals a structural imbalance. DPSUs growing at 151% against the private sector's 14% suggests that the Aatmanirbhar Bharat momentum is still largely riding on the state's industrial base. For exports to sustain at scale, India must create conditions for its private defence industry to emerge as a globally competitive force — not merely a subcontractor.

## THE DPSU SURGE: WHAT'S DRIVING IT?

The 151% DPSU growth in FY 2025-26 is primarily driven by large government-to-government (G2G) contracts:

- **BDL:** Lightweight torpedoes and guided weapons to friendly navies
- **HAL:** ALH Dhruv helicopters and aero components (Airbus supply chain)
- **BEL:** Radars, communication systems, electronic warfare equipment
- **GRSE and Goa Shipyard:** Fast patrol vessels to Mauritius, Sri Lanka, Maldives



These are capital-intensive, government-backed deals where diplomatic relationships and sovereign guarantees give DPSUs an inherent advantage. A private company cannot replicate this diplomatic machinery.

## THE PRIVATE SECTOR'S CHALLENGE

Private sector defence exports at ₹17,353 crore (+14%) cover a different product mix: armoured vehicles, small arms, UAVs, body armour, bulletproof glass. These are important, but:

### Technology Depth Gap

Most Indian private defence exports are in **system integration, final assembly, or low-to-medium technology products**. Very few Indian private companies design and produce cutting-edge platforms (fighters, submarines, long-range missiles) that attract high-value export orders. This is partly structural — DRDO retains core R&D for military platforms; private companies get ToT after technology is developed.

### Long Procurement Gestation

Defence procurement cycles are 5-10 years. Private companies need patient capital and long-term order visibility to invest in technology. Unlike DPSUs, which are backed by government balance sheets, private defence companies face high-risk capital requirements.

### Export Licence Complexity

India's export licensing for defence equipment involves No Objection Certificates (NOCs) from MoD, MEA, and DGFT — a multi-agency process that can take 18-24 months. International competitors can process export licences far faster.

## WHAT POLICY MUST DO

### 1. Technology Transfer from DRDO to Private Companies

The current model keeps DRDO as the primary inventor and PSUs as the primary manufacturers. A bolder model would transfer mature DRDO technologies (Tejas components, Pinaka systems, MRSAM subsystems) to private companies for export-oriented production.

### 2. Streamline Export Licensing

A single-window export clearance system — coordinating MoD, MEA, DGFT, and DPIIT — would reduce the 18-24 month timeline to 6-9 months. India's competitors (Israel, South Korea, France) have faster and more transparent export clearance processes.



### 3. Long-Term Contracts

DPP 2020's "Long Term Order" framework for strategic partnerships needs to be extended explicitly to encourage private players to invest in production capacity for export markets.

### 4. Defence Export Financing

India needs an equivalent of the US Export-Import Bank or France's COFACE for defence — sovereign-backed financing that makes Indian defence exports more accessible to developing-country buyers who cannot pay upfront.

#### THE TARGET: ₹50,000 CRORE BY 2028-29

Achieving the ₹50,000 crore target by FY 2028-29 requires approximately 10% annual growth from the FY 2025-26 base — feasible but not automatic. BrahMos is the single biggest wildcard — multiple pending export negotiations (Indonesia, Vietnam, Saudi Arabia) could add ₹3,000-5,000 crore annually if they close.

#### UPSC RELEVANCE

#### GS Paper 3 — Security and Economy

- Defence manufacturing ecosystem: DPSUs vs private sector
- Aatmanirbhar Bharat in defence: policy framework (DAP 2020, Positive Indigenisation List)
- Strategic partnerships (BrahMos, Philippines, Armenia) as defence diplomacy

#### GS Paper 2 — Governance and IR

- G2G defence deals and their role in India's foreign policy
- Export control frameworks: MTCR, Wassenaar Arrangement, SCOMET list

#### Mains Keywords

DPSUs, DAP 2020, Positive Indigenisation List, BrahMos, G2G defence deals, defence export financing, Aatmanirbhar Bharat



### ★ KEY FACTS

FY 2025-26 defence exports: ₹38,424 crore (record); growth: +62.66%

DPSUs: ₹21,071 crore (+151%); Private sector: ₹17,353 crore (+14%)

Export target: ₹50,000 crore by FY 2028-29

FY 2016-17 base: ₹1,941 crore (20x growth in decade)

BrahMos: Philippines deal (2022, \$375 million) — flagship export

DPSU key entities: BDL, HAL, BEL, GRSE, MDL, Goa Shipyard

Sources: [Business Standard](#), [Ministry of Defence](#), [PIB](#)

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