

# AEROSPACE INDUSTRY



## INDIAN SCENARIO

The Aerospace Industry is growing significantly with the rising activities in both the Defence and Civil Aviation Sector. With the increase in demand for large aircrafts from Indian carriers such as Spice Jet and Indigo, and focus on 'Powered by Hour' (**PBH**) Contracts, many of India's aerospace services and manufacturing activities are expected to be executed. Similarly, as India's defence capital expenditure spending is continuously growing, there are also many opportunities in Defence Aerospace Sector. This offers opportunities for start-ups as well as for existing pool of players for further expansion.

The Indian Aerospace and Defence (ADD) market is expected to reach USD 70 Billion by 2030, driven by the burgeoning demand for advanced infrastructure and Government thrust.



## GROWTH FACTORS

### ❖ **Rising passenger traffic**

Domestic air travel demand continued an upward trend in October 2020, with a 33% increase (over September) to 52 Lakh passengers. In June 2020, the Ministry of Civil Aviation approved capacity increase to 45% from one-third, soon after domestic flights resumed from 25.05.2020. It further increased to 60% from 02.09.2020. Further, under the *Vande Bharat* Mission, between 07.05.2020 and 31.10.2020, international passenger traffic (inbound and outbound) stood at 10.96 Lakh.

### ❖ **Increasing military and defence expenditure**

The Union Budget for 2023-24 provides an expenditure estimate for the Defence Sector of Rs. 4,32,720.00 Crores (USD 52.5 Billion as on 20.03.2023 )

### ❖ **Great Industry Backing**

As India is rapidly modernizing its military sector, the aerospace and defence industry is expected to consume electronics worth USD 70-72 Billion over the next decade in agreement with two industry associations—the National Association of Software D Services Companies (NASSCOM) and the India Electronics and Semiconductor Association (IESA).



### ❖ **Rising initiatives by industry people**

Industry players, innovators and researchers, backed up by the Indian Government and space agencies, are focusing on creating new aerospace opportunities.

For example, in October 2020, Starburst Aerospace announced plans to expand presence in India and develop an innovation centre in Mumbai and conduct engagement activities in Delhi, Bangalore and Hyderabad through partners in the aerospace and defence community.

### ❖ **Cost-effective environment**

Aerospace requires highly qualified workers and precision capabilities. India presents an ecosystem, which ensures quality and improves performance for the overall effectiveness of business operations.

## **GOVERNMENT POLICIES**

The Government of India is taking active steps to propagate domestic manufacturing and growth across industries.

### ✓ **Foreign Direct Investment**

Various Government initiatives indicate a step forward in achieving the objectives such as increasing FDI to 100%, wherein, up to 74% FDI is via Automatic Route in the Defence Sector and beyond 74% is through Government Route.



### ✓ **Research and Development - Promoting start-ups under 'Aatmanirbhar Mission'**

In April 2018, an innovation platform called Innovations for Defence Excellence (IDEX) was launched. IDEX aims to build an ecosystem to encourage defence aerospace innovation and technology initiatives.

✓ **'Make in India' initiatives**

1. Defence and aerospace continues to be a strong pillar for India and key Government systems such as Make in India to succeed. Government policies have centered on the implementation of advanced technologies in the Defence Sector, thus improving the potential of domestic manufacturing huge prospects for players in the industry.



2. The Indian Government has implemented several policies to promote self-reliance in defence and aerospace manufacturing under the Aatmanirbhar Bharat Scheme. For instance, 74% FDI in defence manufacturing, 'Import embargo' on 101 military items and Defence Production and Export Promotion Policy 2020.



3. In line with this, the Government of India is also supporting start-ups and promoting active participation in the industry. Describing MSMEs as 'rising stars' in aerospace and defence, the Defence Ministry estimates that their numbers would double to 16,000 over the next five years (by 2026) as they were integrated into global supply chain.

4. With the projected increase in fleet size over the next few years, engine maintenance is likely to be the most lucrative segment, and demand has been projected to grow rapidly. Both engines and airframes constitute 60-70 % of the Maintenance, Repair and Overhaul (MRO) sector by value.

### **CONCLUSION**

✚ In recent years, the Government has taken many steps to provide greater support to the sector. Among these steps are a reduction in goods and services tax from 18% to 5% for the MRO sector; a focus on developing high-precision manufacturing capabilities; and creation of employment opportunities for skilled manpower. The Indian Government also intends to lease additional land for MRO activities across India. These efforts are targeted at making India a leading global MRO hub.

✚ Thus, the Indian Aerospace Industry is said to be moving into an era of transnational cooperation, where original equipment manufacturers as well as service suppliers seamlessly integrate functions such as engineering, manufacturing, and customer support across multiple global locations.

✚ Further, the Indian Government's regulatory focus for the Aerospace Sector has been on self-reliance, import substitution, and indigenization in India. As a result, it has encouraged foreign investment and technology platforms for

increasing manufacturing operations in India, rather than importing defence equipment. This would enable efficient growth and development of the aerospace industry in India.

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