Aerospace & Defence sector
India scenario
India is expected to become the 3rd largest Aerospace Industry by 2020.

Estimated value of India’s MRO segment by 2021, growing at 10%.

India’s rank in military expenditure (USD 63.9 billion) in 2017, accounting for 3.7% of the total global military expenditure.

India’s share in the total global arms imports, making it the largest arms importing country in the world between 2013 and 2017.

Source: Stockholm International Peace Research Institute (SIPRI) Fact Sheet, CII – Defence sector
Capital expenditure allocation is expected to be 50% of estimated total budget outlay of USD 620 billion by 2022 from the current 33.70% (2018-19) allocation.

Domestic defence manufacturing is largely dominated by defence PSUs and ordnance factories, accounting for ~90% of indigenous defence manufacturing output.

Source: Press Information Bureau, Government of India
Government of India initiatives

Two Defence Industrial Production Corridors planned. (Uttar Pradesh – 1, Tamil Nadu - 1)

Introduction of significant policy reforms such as Defence Production Policy 2018 (DProP 2018), Defence Procurement Procedure (DPP 2016), Liberalization of FDI Policy, etc.

Thrust on indigenous manufacturing and creating a robust defence industrial base under ‘Make in India’ initiative

Intergovernmental agreements in which intergovernmental purchases often include a significant role for DPSUs that are licensed to produce the contracted equipment through transfer of design, technology and sub-systems from OEMs

‘Strategic Partnership Model’ for enhancing the role of private sector across various military platforms on a long-term basis

Source: Government of India, Ministry of Defence
Policy / Regulation Overview

**Procurement Policy**
- Defence Procurement Procedure (DPP) 2016 accords priority to ‘Buy (Indian – IDDM (Indian Designed, Developed and Manufactured)), ‘Buy (Indian)’ and ‘Buy & Make (Indian)’ categories over Buy (Global) category of capital procurement.

**FDI Policy**
- 100% FDI permitted if foreign defence firms are willing to provide full technology transfer.
- Foreign investment up to 49% is permitted under the automatic route.
- Foreign investment beyond 49% is permitted through government approval route, in cases resulting in access to modern technology or for other reasons to be recorded.

**Offset Policy**
- Mandatory offset requirements of a minimum of 30% for procurement of defence equipment in excess of INR 2000 crore (USD 307.69 million) from foreign company have been envisaged under “buy” & “buy and make” categories.
- Foreign vendors can finalize Indian Offset Partners (IOPs) and offset product details one year prior to the intended offset discharge.
- ‘Services’ as an avenue for discharging offsets re-introduced.

**Industrial Licensing**
- Defence sector is subject to industrial licensing under Industries (Development & Regulation) Act 1951 and Arms Act, 1959.
- Industrial Licenses granted by Licensing Committee in Department of Industrial Policy and Promotion.
- Validity period of industrial licenses increased from 3 years to 15 years with a provision to grant extension for a period of 3 years.

Source: Government of India, Ministry of Defence
Tamil Nadu scenario
## Overview

<table>
<thead>
<tr>
<th><strong>120+</strong></th>
<th>Aerospace component manufacturing companies in Tamil Nadu</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>70+</strong></td>
<td>Engineering colleges conducting Aerospace courses</td>
</tr>
<tr>
<td><strong>700+</strong></td>
<td>Suppliers to various defence PSUs are operating in Tamil Nadu</td>
</tr>
<tr>
<td><strong>5000+</strong></td>
<td>Aerospace engineers graduating every year</td>
</tr>
</tbody>
</table>

Technicians and engineers from Tamil Nadu are employed in large number in aerospace companies across the globe.

### Aerospace & Defence Policy
- Government of Tamil Nadu is formulating an exclusive Aerospace & Defence policy
  - Policy Objectives:
    - Achieve 30% share of the defence sector in India
    - Create high-end employment opportunities for around 1 lakh persons in Tamil Nadu
Manufacturing in Tamil Nadu

Year-wise output of manufacture of machinery and equipment n.e.c. in Tamil Nadu (USD million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Output (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>6208</td>
</tr>
<tr>
<td>2013-14</td>
<td>5977</td>
</tr>
<tr>
<td>2014-15</td>
<td>7349</td>
</tr>
<tr>
<td>2015-16</td>
<td>6977</td>
</tr>
</tbody>
</table>

Year-wise output of manufacture of fabricated metal products in Tamil Nadu (USD million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Output (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>3844</td>
</tr>
<tr>
<td>2013-14</td>
<td>4992</td>
</tr>
<tr>
<td>2014-15</td>
<td>3356</td>
</tr>
<tr>
<td>2015-16</td>
<td>3339</td>
</tr>
</tbody>
</table>

Source: ASI 2015-16
Manufacturing in Tamil Nadu

State-wise output of manufacture of machinery & equipment n.e.c. in 2015-16 (USD million)

<table>
<thead>
<tr>
<th>State</th>
<th>Output (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>13305</td>
</tr>
<tr>
<td>Gujarat</td>
<td>7470</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>6977</td>
</tr>
<tr>
<td>Karnataka</td>
<td>3137</td>
</tr>
<tr>
<td>Haryana</td>
<td>2544</td>
</tr>
</tbody>
</table>

State-wise output of manufacture of fabricated metal products in 2015-16 (USD million)

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<tr>
<th>State</th>
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<tr>
<td>Maharashtra</td>
<td>8121</td>
</tr>
<tr>
<td>Gujarat</td>
<td>3480</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>3339</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>2524</td>
</tr>
<tr>
<td>Haryana</td>
<td>2463</td>
</tr>
</tbody>
</table>

Source: ASI 2015-16
Prominent players
Infrastructure Support
Aerospace Park at Sriperumbudur

Aerospace Park at Sriperumbudur

- Aerospace Park is being set up by TIDCO in 250 acres in 1st phase
- It will house at least 50 aerospace or defence companies forming a strong base for supporting large OEMs
- Expandable up to 500 acres in the next phase

Advanced Computing and Design Engineering Centre (ACDEC) (Part of Aerospace Park)

- Proposed ACDEC is being set up in an area of 1 million sq. ft. at an estimated cost of INR 330 cr (USD 507 million)
- First phase with built up space of 5 lakh sq. ft is being developed at an estimated cost of INR 180 cr (USD 277 million)
- Will offer cutting edge technology and state-of-the-art infrastructure to support incubation and innovation

Source: Government of Tamil Nadu, TN Policy Note 2018 - 19
Support Infrastructure

**Salem Aeropark**

- Aerospace Engineers is an eminent aerospace parts manufacturing unit offering Design, Development, Precision Manufacturing, Assembly, Certification, Supply and Integration of Systems
- Manufactures about 5000 parts

**Garuda Aerospace**

- Garuda Aerospace focuses on the Design, Building and Customization of Unmanned Aerial Vehicles (UAVs) or Drones for various applications
- Caters to diverse needs such as Agricultural Survey, Mapping, Reconnaissance and Surveillance

**Maintenance, Repair and Overhaul (MRO) facility**

- Taneja Aerospace & Aviation Limited (TAAL) and Air Works India (Engg) have entered into an Aviation Infrastructure - Airfield & MRO facility agreement for establishment of commercial Aircraft Maintenance and Operating Aviation Infrastructure at TAAL's private airfield (Licensed) at Hosur
- An Aircraft MRO complex is being planned to be established in Chennai which will emerge as the preferred MRO destination
Growth enablers

**India’s first Defence Corridor**
- Will provide an impetus to Aerospace and Defence sector in the state
- Sub-sectors such as engineering / heavy engineering will benefit from this development

**Tambaram Air Force Station**
- Started during the British regime period, the Air Force station is primarily involved in training of pilots
- Apart from training, helicopters from the Indian Navy are also operated from this airfield

**DEFEXPO 2018**
- Thiruvanathai, Chennai hosted DEFEXPO 2018 in April 2018
- 150+ global players and 520+ Indian defence companies participated
- A number of tanks, aircrafts and other military equipment were displayed
Specific opportunities
Investment opportunities

The cumulative investment opportunities in India are expected to be between USD 160-250 billion with an opportunity of around USD 75 billion as part of the 30% offset obligation for domestic companies.

- Greenfield airport development through PPP mode
- MRO facilities development, Skill development in aerospace sector through PPP mode
- Integrated Aerospace Parks development through PPP mode
- Up-gradation of existing airports
- Manufacturing of aircraft parts and assembly
Government Policy Support
<table>
<thead>
<tr>
<th>Category</th>
<th>Investment Range (INR crores) (Area wise)</th>
<th>A Districts (Chennai, Tiruvallur, Kancheepuram)</th>
<th>B Districts (Other than A &amp; C)</th>
<th>C Districts (Southern districts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mega Projects</td>
<td>Above 500 – 1500 and creating an employment of 300 in 3 years</td>
<td>Above 350 – 1000 and creating an employment of 200 in 4 years</td>
<td>Above 200 – 500 and creating an employment of 100 in 4 years</td>
<td></td>
</tr>
<tr>
<td>Super Mega A</td>
<td>Above 1500 – 3000 and creating an employment of 400 in 5 years</td>
<td>Above 1000 – 2000 and creating an employment of 300 in 5 years</td>
<td>Above 500 – 1500 and creating an employment of 250 in 5 years</td>
<td></td>
</tr>
<tr>
<td>Super Mega B</td>
<td>Above 3000 – 5000 and creating an employment of 600 in 6 years</td>
<td>Above 2000 – 4000 and creating an employment of 400 in 6 years</td>
<td>Above 1500 – 3000 and creating an employment of 350 in 6 years</td>
<td></td>
</tr>
<tr>
<td>Ultra Mega</td>
<td>Above 5000 and creating an employment of 700 in 7 years</td>
<td>Above 4000 and creating an employment of 600 in 7 years</td>
<td>Above 3000 and creating an employment of 500 in 7 years</td>
<td></td>
</tr>
</tbody>
</table>

“Southern Districts” means the Districts of Theni, Dindigul, Madurai, Sivagangai, Ramanathapuram, Virudhunagar, Tirunelveli, Thoothukudi and Kanniyakumari
Standard Incentives

**Capital Subsidy**
- Subsidy ranging from INR 30 Lakhs to INR 2.25 crores
- 50% additional subsidy for industries set up in SIPCOT Industrial Parks (other than Southern districts)
- For investments made in B & C category districts, an additional 10% & 25% subsidy for industries located outside the SIPCOT Industrial Parks

**Stamp duty concession**
- 50% to industries located in SIPCOT parks in A & B districts and 100% in the case of Southern Districts

**Environmental Promotion Infrastructure Subsidy**
- Subsidy of INR 30 lakhs or 25% of Capital cost whichever is less
- Apart from the above, Industries adopting Zero Effluent or Waste Water Discharge, Clean Development Mechanism and Emissions Trading Mechanism will be given a higher amount of subsidy

**Electricity tax exemption**
- Period of exemption depends upon the quantum of investment and the employment criteria prescribed
Incentives for Industrial Promotion in Southern Districts

- Higher fiscal benefits
- SIPCOT will allot lands at 50% of the cost in its existing and new industrial parks
- SIPCOT will acquire & allot Land for new ventures in case SIPCOT Industrial parks are not available
- 50% exemption from Stamp Duty for land privately purchased by investors; and 100% exemption in case of units in SIPCOT Industrial Parks
- 25% additional back ended capital subsidy; linked to investment and employment in the case of industries located outside SIPCOT Industrial Parks
Investment Promotion Facilitators - Key Contacts

**Tamil Nadu Industrial Development Corporation Limited (TIDCO)**
19-A, Rukmini Lakshmipathy Road,
Egmore, Chennai-600 008
Phone: 91-44-2855 4421
E-mail: cmd.tidco@nic.in
Website: www.tidco.com

**State Industries Promotion Corporation of Tamil Nadu (SIPCOT)**
19-A, Rukmini Lakshmipathy Road, Egmore, Chennai-600 008
Phone: 91-44-2855 4787
E-mail: sipcot@md3.vsnl.net.in
Website: www.sipcot.com

**Tamil Nadu Industrial Investment Corporation Limited (TIIC)**
New no: 692, Anna Salai, Nandanam,
Chennai-600 035
Phone: 91-44-2433 1203
Fax: 91-44-2434 7209
E-mail: ho@tiic.in
Website: www.tiic.org

**Tamil Nadu Urban Infrastructure Financial Services Ltd.**
19, T P Scheme Road,
Raja Muthaiapuram, Ramakrishna Nagar.
R A Puram Chennai – 600 028
Phone: 91-44-24643103
E-mail: md@tnuifsl.com
Website: www.tnuifsl.com

**Tamil Nadu Industrial Guidance and Export Promotion Bureau**
TN Industrial Guidance and Export Promotion Bureau
19-A, Rukmani Lakshmipathy Road,
Egmore, Chennai-600 008
Phone: 91-44-2855 3118
Website: www.investingintamilnadu.com

**Tamil Nadu Small Industries Development Corporation (TANSIDCO)**
Thiru Vi Ka Industrial Estate,
Chennai - 600 032
Phone: 91-44-2250 1461, 2250 1422, 2250 0185, E-mail: sidco@vsnl.com
Website: www.sidco.tn.nic.in

**Electronics Corporation of Tamil Nadu Limited (ELCOT)**
692, M.H.U. Complex, II Floor, Anna Salai,
Nandanam, Chennai-600 035
Phone: 91-44-6551 2330
E-mail: secyt@tn.nic.in
Website: www.elcot.in
Thank you