



Aerospace & Defence sector India scenario





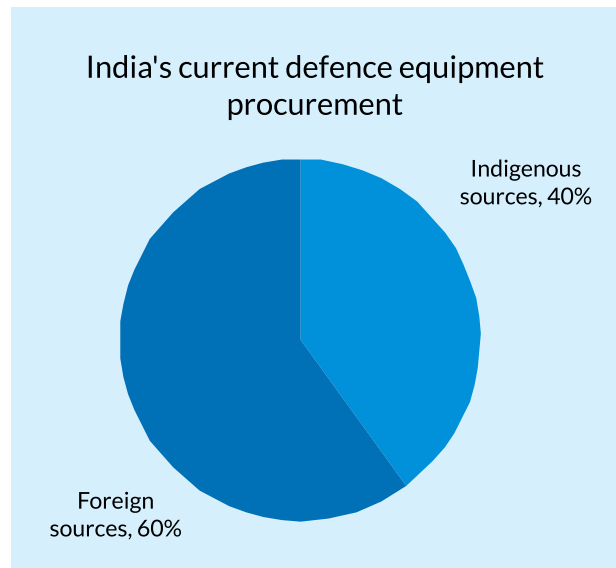
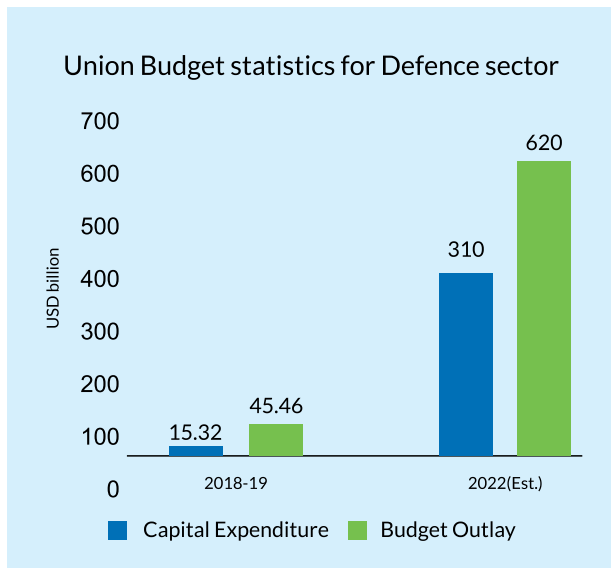
Overview (1/2)

3rd	India is expected to become 3rd largest aerospace industry by 2020
USD 2.6 billion	Estimated value of India's MRO segment by 2021, growing at 10%
5th	India's rank in military expenditure (USD 63.9 billion) in 2017, accounting for 3.7% of the total global military expenditure
12%	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

Overview (2/2)

Capital expenditure is expected to be allocated 50% of estimated total budget outlay of USD 620 billion by 2022 from the current 33.70%



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 in Uttar Pradesh and Tamil Nadu



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

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

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 (DIPP)
- Validity period of industrial licenses increased from 3 years to 15 years with a provision to grant extension for a period of 3 years

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

Tamil Nadu scenario

Overview

- 120+ Aerospace component manufacturing companies in Tamil Nadu
- 70+ Engineering colleges conducting Aerospace courses
- 120+ Aerospace component manufacturing companies in Tamil Nadu
- 5000+ Aerospace engineers graduating every year

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

Aerospace & Defence Policy

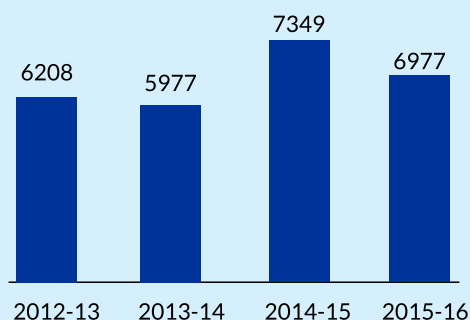
- Government of Tamil Nadu is formulating an exclusive Aerospace & Defence policy

Objective

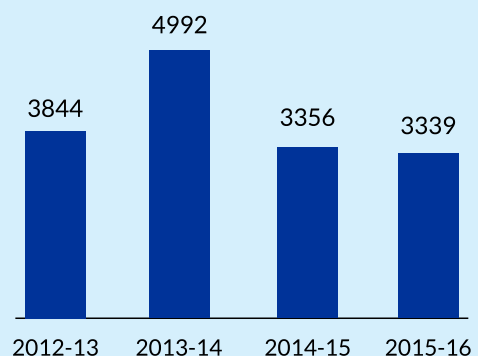
- Achieve 30% share of the defence sector in India
- Create high-end employment opportunities for around 1 lakh persons in Tamil Nadu

Manufacturing in Tamil Nadu

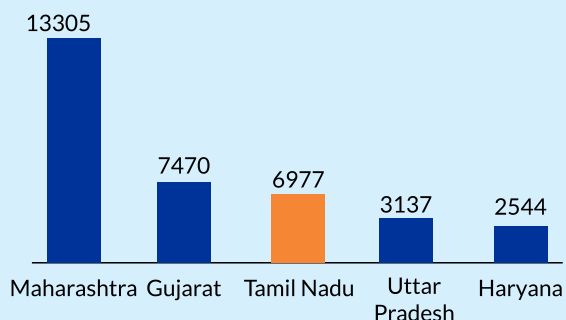
Year-wise output of Manufacture of machinery and equipment n.e.c. in Tamil Nadu (USD million)



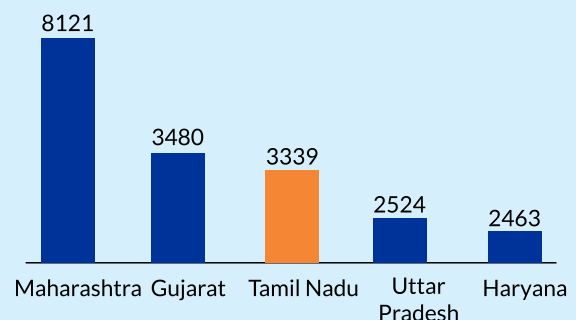
Year-wise output of Manufacture of fabricated metal products in Tamil Nadu (USD million)



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



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



Prominent players

Honeywell

THALES



AEROSPACE ENGINEERS Pvt. Ltd.



ramco



Infrastructure Support

Aerospace Park at Sriperumbudur

Aerospace Park at Sriperumbudur	Advanced Computing and Design Engineering Centre (ACDEC) (Part of Aerospace Park)
<ul style="list-style-type: none">● Aerospace Park at Sriperumbudur● 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	<ul style="list-style-type: none">● Proposed ACDEC is being set up in an area of 1 Million sq. ft. at an estimated cost of INR 330 cr.● First phase with built up space of 5 lakh sq. ft is being developed at an estimated cost of Rs.180 crore● Will offer cutting edge technology and state-of-the art infrastructure to support incubation and innovation in the Industry



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 Implementation of projects.
- 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

Aircraft MRO (Maintenance Repair & Overhaul)

- Taneja Aerospace and 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 TAALS'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 / aerospace & defence / aviation sector 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 have also been operated from this airfield

DefExpo 2018

- Thiruvudanthai, 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

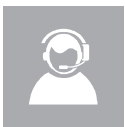
The cumulative investment opportunities in India are expected to be between USD 160-250 billion with a opportunity of around USD 75 billion as part of the 30% offset obligation for domestic companies



Greenfield airport development through PPP mode



MRO facilities development, Skill development in aerospace sector through PPP mode



Integrated Aerospace Park



Up-gradation of existing airports



Manufacturing of aircraft parts and assembly

Government Policy Support

Category	Investment Range (INR crores) (Area wise)		
	A Districts (Chennai, Tiruvallur, Kancheepuram)	B Districts (Other than A & C)	C Districts (Southern districts)
Mega Projects	Above 500 – 1500 and creating an employment of 300 in 3 years	Above 350 – 1000 and creating an employment of 200 in 4 years	Above 200 – 500 and creating an employment of 100 in 4 years
Super Mega A	Above 1500 – 3000 and creating an employment of 400 in 5 years	Above 1000 – 2000 and creating an employment of 300 in 5 years	Above 500 – 1500 and creating an employment of 250 in 5 years

Category	Investment Range (INR crores) (Area wise)		
Super Mega B	Above 3000 – 5000 and creating an employment of 600 in 6 years	Above 1000 – 2000 and creating an employment of 300 in 5 years	Above 500 – 1500 and creating an employment of 250 in 5 years
Ultra Mega	Above 5000 and creating an employment of 700 in 7 years	Above 4000 and creating an employment of 600 in 7 years	Above 3000 and creating an employment of 500 in 7 years

“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

Additional Chief Secretary to
Government Industries Department
Secretariat, Chennai - 600009
Phone : 91-44-25671383
Email : indsec@tn.gov.in

Tamil Nadu Industrial Development
Corporation Limited (TIDCO)
19 - A, Rukmani 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, Rukmani Lakshmipathy Road,
Egmore, Chennai - 600 008
Phone: 91 - 44 - 2855 4787
E-mail: sipcot@md3.vsnl.net.in
Website: www.sipcot.com

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

