



## FROM IMPORTER TO EXPORTER: ANALYSING INDIA'S DEFENCE EXPORT TRAJECTORY (2014–2025) THROUGH THE LENS OF POLICY, INDUSTRIAL CAPACITY, AND GEOPOLITICAL REALIGNMENT

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### ABSTRACT

India's transition from the world's largest arms importer to a credible defence exporter represents one of the most consequential industrial policy transformations in the country's post-independence history. Between FY2013–14 and FY2024–25, India's defence exports grew from ₹686 crore to a record ₹23,622 crore (approximately USD 2.76 billion), a 34-fold increase achieved through the convergence of three interacting forces: progressive policy liberalisation, indigenous industrial capacity building, and a favourable geopolitical realignment in the post-2022 global security environment. This paper analyses India's defence export trajectory across this eleven-year period, examining how the Defence Acquisition Procedure (DAP) 2020, successive Positive Indigenisation Lists (PILs), FDI liberalisation, and the Make in India framework collectively reconfigured the structural incentives of India's defence-industrial base. The paper further examines the industrial capacity dimension, particularly the growing contribution of private sector firms (64.5% of exports in FY2024–25) alongside Defence Public Sector Undertakings (DPSUs) and the geopolitical factors including the Russia-Ukraine conflict's disruption of global arms supply chains and India's deepening strategic partnerships with the United States, France, and Gulf states that have accelerated export demand. Drawing on secondary data from the Ministry of Defence (MoD), the Stockholm International Peace Research Institute (SIPRI), the India Brand Equity Foundation (IBEF), and peer-reviewed literature, the analysis reveals that India's export trajectory, while impressive quantitatively, remains structurally constrained by deep-technology dependencies in propulsion, radar, and semiconductor domains. The paper concludes that sustaining the export trajectory towards the government's ₹50,000 crore target by FY2028–29 demands not just policy continuity but qualitative industrial upgrading.

**Keywords:** *defence exports, Make in India, Aatmanirbhar Bharat, geopolitical realignment, DAP 2020, SIPRI, indigenisation, arms trade*



## 1. INTRODUCTION

In March 2024, India surpassed the milestone of ₹21,083 crore in annual defence exports, making it, for the first time, a net contributor to the global arms trade in revenue terms against its own import profile for that year (Ministry of Defence [MoD], 2024). By FY2024–25, exports reached ₹23,622 crore, reflecting a 12.04% year-on-year growth, with the private sector accounting for 64.5% (₹15,233 crore) of the total (Press Information Bureau [PIB], 2025). These figures mark a fundamental structural shift in a country that, as recently as 2013–14, exported only ₹686 crore worth of defence goods, less than 1.6% of total defence production.

India's arms import dependency has been a defining feature of its security posture for decades. SIPRI (2024) data place India as the world's top arms importer between 2019 and 2023, accounting for 9.8% of global arms transfers. The paradox of simultaneous top-tier import dependence and growing export ambition captures the central analytical tension of India's defence industrial transformation: a state attempting to build a competitive export capability while still unable to domestically produce many of the platforms it fields in its own armed forces.

This paper argues that India's defence export trajectory between 2014 and 2025 is best understood as the product of three interacting and mutually reinforcing forces: (1) a progressively liberalised and indigenisation-focused policy architecture; (2) a restructured industrial base in which private firms and MSMEs have emerged as dominant export contributors; and (3) a geopolitical conjuncture in which Russia's reduced export capacity, Indo-Pacific security demand, and diversification away from Chinese-origin equipment have created structural demand pull for Indian defence products.

## 2. THE POLICY ARCHITECTURE: FROM DPP TO DAP

India's defence export transformation was not spontaneous. It was architected through a decade of incremental but cumulatively transformative policy interventions, the most significant of which was the replacement of the Defence Procurement Procedure (DPP) series with the Defence Acquisition Procedure (DAP) 2020.

The DAP 2020 introduced three structural innovations directly relevant to export capacity building. First, it created a new highest-priority procurement category 'Buy (Indian-Indigenously Designed, Developed and Manufactured)' or IDDM which mandated a minimum 50% indigenous content. This directly incentivised the development of domestically engineered platforms with eventual export potential rather than merely licensed or co-produced copies of foreign designs. Second, the DAP 2020 formalised the Innovations for Defence Excellence (iDEX) procurement pathway, enabling startups and MSMEs to win defence contracts without navigating traditional Request for Proposal bureaucracy. Third, it raised the FDI ceiling in defence manufacturing under the automatic route from 49% to 74%, and to 100% under the government approval route, creating joint venture opportunities that have since produced the C-295 programme (Airbus-Tata) and the GE F-414 engine manufacturing agreement (IBEF, 2025).



Complementing the DAP 2020 were five successive Positive Indigenisation Lists (PILs) for DPSUs, notified between 2020 and 2024, covering 5,012 items earmarked for domestic sourcing; and a parallel series of five PILs for the armed services, covering a further 509 defence systems and sub-systems (Drishti IAS, 2024). These lists operate as both import-substitution mandates and supply-creation instruments by signalling government demand, they de-risk private investment decisions in production capacity. The export authorisation framework was simultaneously streamlined: authorisations grew from 1,414 in FY2022–23 to 1,762 in FY2024–25, a 24.6% increase over two years while registered defence exporters grew by 17.4% in FY2024–25 alone (PIB, 2025).

The cumulative effect of these interventions is legible in the data. Table 1 below traces India's defence export trajectory against total defence production from FY2013–14 to FY2024–25.

*Table 1: India's Defence Export Trajectory (FY2013–14 to FY2024–25)*

Financial Year	Defence Exports (₹ Crore)	Total Defence Production (₹ Crore)	Export as % of Production
2013–14	686	44,000 (approx.)	1.56%
2016–17	1,521	62,000 (approx.)	2.45%
2019–20	9,115	79,071	11.53%
2021–22	12,815	99,268	12.91%
2022–23	15,920	1,08,684	14.65%
2023–24	21,083	1,26,887	16.62%
2024–25	23,622	1,51,000 (est.)	15.64%

*Source: MoD (2024, 2025); PIB (2025); IBEF (2025). Compiled by authors.*

### 3. INDUSTRIAL CAPACITY: THE STRUCTURAL SHIFT TO PRIVATE SECTOR-LED EXPORTS

The most consequential structural change in India's defence export landscape between 2016 and 2025 is the inversion of the DPSU-private sector production balance in export revenue terms. In FY2024–25, private firms contributed ₹15,233 crore, 64.5% of total defence exports while DPSUs contributed ₹8,389 crore (35.5%), despite DPSUs accounting for approximately 77% of total domestic defence production (PIB, 2025; MoD, 2025). This divergence reflects the fundamentally different competitive orientations of the two actor classes: DPSUs are optimised for domestic armed forces procurement such as large, complex, long-cycle platforms while private firms have demonstrated greater agility in identifying and servicing export market niches.

#### 3.1 Private Sector Anchors



Tata Advanced Systems Limited (TASL), Larsen and Toubro (L&T) Defence, Bharat Forge, and Mahindra Defence represent the large integrator tier. TASL's inauguration of India's first private sector Final Assembly Line for the C-295 military transport aircraft in Vadodara (October 2024), in partnership with Airbus, marks a qualitative threshold: India can now manufacture export-grade fixed-wing military aircraft in the private sector (IBEF, 2025). L&T's artillery portfolio including the K9 Vajra howitzer and 155mm ammunition has benefited substantially from post-2022 global artillery demand, with Indian 155mm shells reportedly exported to European nations replenishing NATO-standard stocks (The Print, 2025). Bharat Forge has developed forging and precision manufacturing capabilities across artillery, armoured vehicles, and missile sub-systems that serve both domestic DPSUs and foreign OEMs as Tier-1 supply chain partners.

### ***3.2 BrahMos: The Systems-Level Export Flagship***

BrahMos Aerospace, the Indo-Russian joint venture producing the world's fastest supersonic cruise missile in service represents the apex of India's systems-level export capability. The February 2025 delivery commencement of the BrahMos system to Indonesia, under a USD 375 million (approximately ₹3,800 crore) agreement, marks India's largest single defence export deal to date (IBEF, 2025). The Philippines had earlier contracted three batteries of the BrahMos coastal defence system. The geopolitical significance of these deals extends beyond their transaction value: they demonstrate that India can successfully compete for high-end, strategically sensitive weapons systems exports, a tier of the global arms market that has historically been accessible only to the five permanent UN Security Council members and a handful of technologically advanced allies.

### ***3.3 DPSU Resurgence***

While private sector export share dominates, DPSU export growth in FY2024–25 was notably stronger in rate terms: a 42.85% year-on-year increase (from ₹5,874 crore to ₹8,389 crore), against the private sector's broadly flat performance (₹15,209 crore to ₹15,233 crore) (Business Standard, 2025). HAL's Dornier Do-228 exports and component supply contracts, BEL's radar and electronic warfare system exports across Southeast Asia and the Middle East, and GRSE's patrol vessel deliveries to Bangladesh reflect a DPSU export portfolio that is growing, if from a lower base. The corporatisation of the Ordnance Factory Board into seven specialised DPSUs in October 2021 has begun yielding commercial discipline improvements that are translating into stronger export pricing competitiveness.

## **4. GEOPOLITICAL REALIGNMENT AS EXPORT DEMAND DRIVER**

Industrial capacity and policy architecture are necessary but not sufficient explanatory variables for India's export trajectory. The speed of the growth surge between FY2022–23 and FY2024–25, exports rising from ₹15,920 crore to ₹23,622 crore in just two years, a 48.4% increase



points to a demand-side accelerant: the geopolitical disruption triggered by Russia's invasion of Ukraine in February 2022.

#### ***4.1 The Russia-Ukraine Effect***

Russia's reduced capacity to fulfil pre-existing export commitments driven by the diversion of production to its own armed forces and Western sanctions impeding technology acquisition created acute supply gaps for Russia-dependent arms importers across Africa, Southeast Asia, and the Middle East. India, with a defence-industrial base that is itself deeply familiar with Russian-origin platforms and compatible in several sub-system specifications, became a natural transitional supplier for ammunition, spare parts, and sub-system components. Simultaneously, European and American importers' accelerated replenishment demand for artillery ammunition particularly 155mm calibre shells created direct export opportunities for Indian manufacturers including L&T and Munitions India Limited (IBEF, 2025; The Print, 2025).

#### ***4.2 Indo-Pacific Security Architecture***

India's deepening integration into the Indo-Pacific security architecture through QUAD, the India-US Defence Technology and Trade Initiative (DTTI), and the INDUS-X bilateral innovation bridge has structurally expanded India's defence export addressable market. The QUAD framework has facilitated technology-sharing arrangements in ISR, maritime domain awareness, and counter-UAS domains that are creating joint export development opportunities. The US-India Major Defence Partner status, formalised in 2016 and operationally deepened through multiple General Security of Military Information Agreement (GSOMIA) and other foundational agreements, has enabled Indian firms to participate in US and NATO allied supply chains, a market access pathway that has no precedent in India's defence industrial history (Ahmed, 2025).

#### ***4.3 Neighbourhood and Indian Ocean Region Partnerships***

India's defence export portfolio is geographically diversified across more than 100 destination countries (MoD, 2025), but its strategic depth is anchored in the Indian Ocean Region (IOR). Exports of patrol vessels to Mauritius and Bangladesh, helicopters to Nepal and Sri Lanka, and radar systems to friendly IOR states reflect India's deliberate use of defence exports as an instrument of regional security architecture, what Bitzinger (2015) might characterise as 'arms diplomacy' in the service of broader strategic objectives. This dual character of commercial export and strategic signalling is analytically significant, as it means that India's export trajectory is reinforced by non-commercial political drivers that make demand more resilient than pure market dynamics would suggest.

### **5. STRUCTURAL CONSTRAINTS ON THE EXPORT TRAJECTORY**



Despite the quantitative achievements, India's defence export trajectory faces three structural constraints that, if unaddressed, will impose a ceiling on its export ambitions well short of the ₹50,000 crore target.

The first is deep-technology dependence. India's most capable indigenous platforms, the Tejas Light Combat Aircraft and the Advanced Light Helicopter Dhruv remain dependent on imported propulsion: the GE F404 engine for Tejas and a Shakti turboshaft that uses foreign core components. The KAVERI engine programme, initiated in 1989 by DRDO's Gas Turbine Research Establishment (GTRE), remains non-operational for combat aircraft. Without propulsion self-reliance, India's ability to offer complete, strings-free weapons systems is constrained, a critical limitation in premium export markets where buyers increasingly demand technology independence and supply chain security (Drishti IAS, 2024).

The second constraint is the prototype-to-production gap in the startup and MSME ecosystem. The iDEX programme has successfully generated over 549 problem solutions across 619 startups (IBEF, 2025), but the transition from grant-funded prototyping to defence-grade serial production at export-competitive volumes remains poorly institutionalised. The absence of patient, risk-tolerant scale-up capital comparable to SBIR Phase III in the United States means that many technically successful iDEX graduates do not reach the production volumes necessary for export market credibility.

The third constraint is quality and reliability perception in premium markets. While India has successfully penetrated mid-tier and developing country defence markets, it has not yet secured a major supply contract with a Western Tier-1 military, the United States, United Kingdom, France, or Germany. Penetrating this tier requires not just competitive pricing but MIL-SPEC equivalent quality assurance systems, third-party audit credibility, and supply chain traceability that much of India's MSME base has not yet fully institutionalised.

## 6. CONCLUSION

India's defence export trajectory between 2014 and 2025 represents a genuine structural transformation, not a cyclical uptick. The 34-fold growth from ₹686 crore to ₹23,622 crore is the product of three interacting forces, a progressive policy architecture anchored in DAP 2020 and successive PILs, the emergence of a private-sector-led industrial capacity with export competitive niches in aerospace, artillery, electronics, and naval platforms, and a geopolitical conjuncture that has simultaneously created supply gaps (Russia's reduced capacity) and demand pull (Indo-Pacific security architecture, NATO-standard ammunition replenishment).

The government's target of ₹50,000 crore in defence exports by FY2028–29 implying a further 111.7% growth from the FY2024–25 baseline is ambitious but achievable under conditions of policy continuity, sustained private sector investment, and the resolution of deep-technology gaps in propulsion and semiconductors. It will require a qualitative shift from component and sub-system exports towards platform exports, the BrahMos trajectory writ large supported by strategic



partnership frameworks that give Indian defence products market access, intellectual property protection, and technology co-development pathways in premium defence markets.

For management scholarship, India's experience offers an empirical contribution to debates about the developmental state, industrial ecosystem construction, and the strategic use of procurement policy as an instrument of industrial transformation. The importer-to-exporter trajectory is not simply a defence story; it is a story of deliberate, state-orchestrated industrial ecosystem building with implications for any developing economy seeking to build export capability in complex, regulated, strategically sensitive industries.

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## NOTE

All monetary values in Indian Rupees (₹) unless specified. USD conversion at approximate rate of ₹85.6 = USD 1 (March 2025). All figures sourced from official Government of India publications; compiled and analysed by authors. The research draws exclusively on secondary data and does not involve primary human subjects.

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