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India's Defense Procurement Plans Will Strengthen Make In India

India's recently announced plans to review its defense procurement policies could prove to be a game changer in domestic defense innovation and production, according to one of the country's homegrown manufacturers.

In January, Indian Defense Minister Manohar Parrikar announced that he was simplifying the nation's Defense Procurement Procedure (DPP). One of the most anticipated portions of this is the plan to incorporate a 'Make In India' dimension while encouraging continued modernization of India's armed forces.

Last year India boosted its military spending budget to close to [\\$40 billion](#), an increase of 11% over the previous fiscal year.

A 2015 Credit Suisse report ranked the [world's fifth strongest military](#), bolstered by sheer numbers of [military manpower](#).

Hyderabad-based [Zen Technologies](#), designs and produces military training simulators. Chairman and Managing Director Ashok Atluri is positive about the new measures, which are expected to be released in full and final form by March.



A Zen Technologies anti-aircraft defense simulator. Photo courtesy of Zen Technologies.

The new provisions express a preference for domestically designed, developed, and manufactured defense equipment, including government provided [subsidies](#) for a certain number of projects taken on by small and medium enterprise businesses.

Industry projects under 3 crore rupees, roughly \$215 thousand are to be reserved for small and medium enterprises.

“With the encouragement given to indigenous designs, Indian firms will start innovating and developing cutting edge products,” says Atluri.

He is confident this will lead to more complete offerings in equipment production being made available in India as well as greater export possibilities. “When the design is owned by an Indian company, the margins are healthy enough to reinvest for customizing products for foreign markets,” Atluri says.

With plans to implement less bureaucracy in procedural matters by reducing repetitive measures, the government is also planning to impose fines on manufacturers who do not follow through on orders, indicating a crackdown on corruption.

Refunding R&D costs to businesses who do not receive orders is a “bold step” on the part of the government that Atluri is also pleased about.

“The Indian armed forces are one of the toughest customers to satisfy,” says Atluri, who feels that after the Indian armed forces have put their stamp of approval on a product, it is comparatively simpler to market that product on to security forces in other nations. This too will lend a hand in offsetting R&D risk for domestic manufacturers.

Zen Technologies’ own stock has jumped significantly since Prime Minister Modi took office – something Atluri attributes to the ‘Make In India’ campaign.

“The recent amendments in the DPP encompass the value chain of manufacturing, designing, and developing,” he says, “Zen Technologies will continue to focus on R&D, this will benefit us enormously under the new environment where intellectual property ownership is being given top priority.”