

Defense Industry Report

India

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Executive Summary

India's defense budget in 2023, excluding defense pensions, stands at \$56.8 billion, an increase of 3.5% from the previous year. India's defense budget is expected to increase from \$67.5 billion in 2024 to reach a value of \$89 billion in 2028. This growth reflects a CAGR of 7.2% of the period 2024-28.

A large part of India's defense spending has been earmarked for financing revenue expenditures such as pensions, wages, and salaries and due to the increasing burden of non-productive revenue spending. The Indian Ministry of Defense (MoD) has initiated several reforms to restructure military apparatus. Non-productive cost centers such as military farms and military dairy farms have been phased out, while efforts have been made to contain operational spending by introducing blended fuel vehicles and monetizing land holdings held by defense forces. Against this backdrop, the country's defense acquisition spending is anticipated to increase from \$22.1 billion in 2024 to \$27.9 billion in 2028, reflecting a CAGR of 5.9%.

The Indian defense modernization programs have historically been fueled by the need to maintain a robust deterrence capability to dissuade hostile countries from threatening its borders. Indian territorial disputes with neighboring China and Pakistan have continued to spur defense spending over the historic period. Having fought armed conflicts with China in 1962 and with Pakistan in 1965, 1971, and 1999 India has been compelled to maintain a robust defense posture to discourage adversaries from engaging in military campaigns.

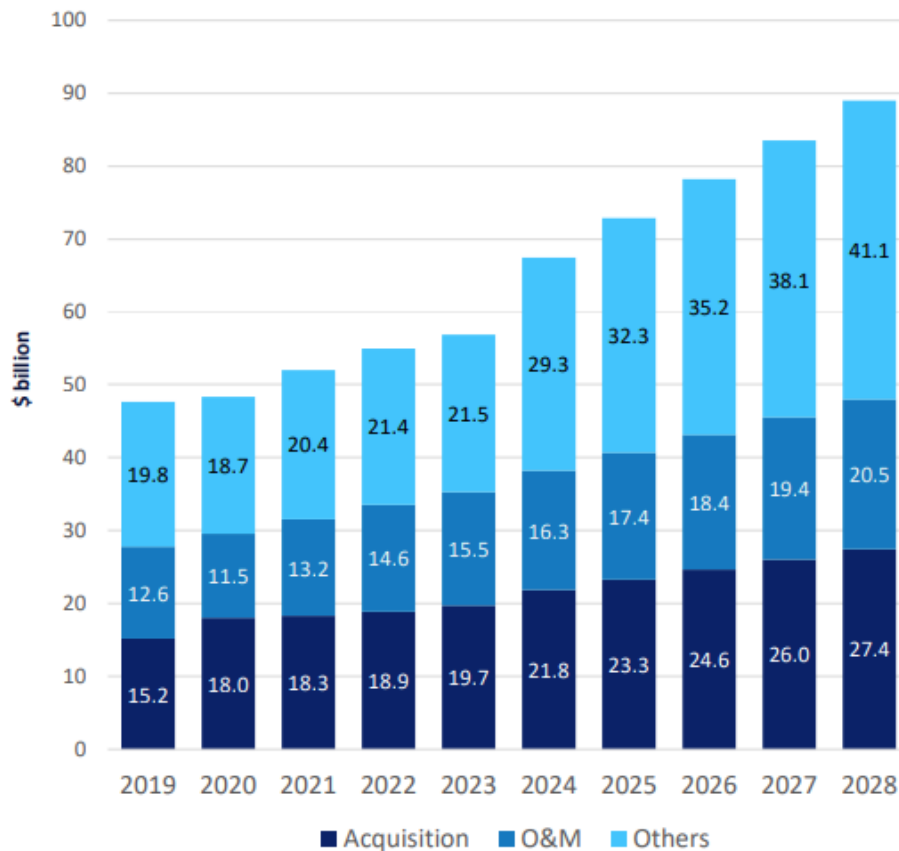
The Indian military is looking to invest in many sectors of their defense apparatus. There are three sectors of the Indian military that the country is projected to spend the most on over the next decade. These are fixed-wing aircraft, missile and missile defense systems, and naval vessels and surface combatants.

Defense Budget Assessment

India's defense budget in 2023, excluding defense pensions, stands at \$56.8 billion, an increase of 3.5% from the previous year. India is one of the fastest growing economies in Asia, and this economic growth has translated to increased defense spending. Additionally, security threats from both China in the Northeast as well as Pakistan to the Northwest have compelled India to maintain high levels of funding to maintain and modernize its military.

India's defense budget is expected to increase from \$67.5 billion in 2024 to reach a value of \$89 billion in 2028. This growth reflects a CAGR of 7.2% of the period 2024-28. Concurrently, India's defense acquisition budget, which is valued at \$19.7 billion in 2023, is anticipated to increase to \$27.4 billion by 2028, reflecting a CAGR of 5.9% over the period 2023-28.

India's defense budget breakdown (\$B), 2019–28



Source: Ministry of Finance, India, GlobalData Intelligence

*Note: Excluding pensions

Historically, pensions have taken up a large portion of India's defense budget. In 2023, pensions represented roughly 26% of India's defense spending, accounting for just under \$19 billion. In 2022, India implemented the "Tour of Duty" program which is anticipated to alleviate the country's pension burden over time. It is estimated that India's pension spending will decline at CAGR of negative 9.6% over the period 2024-28. As such additional resources are expected to be freed up which could then be allocated to acquisitions funding in the future.

Although the Indian government is unlikely to suddenly increase defense expenditure as a percentage of GDP the country is nevertheless expected to maintain an average defense expenditure of 2.22%, which although marginally

lower than the value of 2.26% registered during the historic period, demonstrates a continued commitment to the defense sector. With neighboring Pakistan getting increasingly unstable and having a failing economy, India is at risk of experiencing a surge in terrorism. Moreover, with increasing instances of Indo-China frontier clashes India is compelled to maintain robust defense spending.

Drivers of Defense Expenditure

India's defense expenditures are driven by two main factors: modernization and territorial disputes with hostile neighbors. India has aging military hardware that needs replacing and upgrading, nuclear armed neighbors in China and Pakistan, and a desire to secure its borders more thoroughly.

Military Modernization

The Indian government has embarked on a military modernization program to address deficiencies in the operational capabilities of the armed forces. They are undertaking this modernization program to maintain an optimum level of combat readiness. In 2012, the Indian Ministry of Defense (MoD) outlined a 15-year Long-Term Integrated Perspective Plan (LTIPP) that introduced a series of modernization projects that will allow the country to bridge the gap in capabilities. These projects have three main goals: replace obsolete equipment, enhance the netcentric capabilities of the armed forces, and establish better coordination between the various branches of the Indian military.

In accordance with the programs, the Indian MoD is expected to add main battle tanks, air defense gun systems, missiles, naval vessels, submarines, multirole aircraft, transport helicopters, and attack helicopters to its existing fleet, as well as upgrading its C4I2SR (command, control, communications, computers, intelligence, information, surveillance, and reconnaissance) systems, maritime surveillance, and anti-submarine warfare capabilities. Additionally, the MoD is expected to speed up the Army's Tactical Communications System program.

The Indian Army is in the process of establishing a dedicated air wing. It is slated to acquire six AH-64E Apache attack helicopters, with plans to acquire 11 more in future. However, the bulk of the Indian Army's attack helicopter fleet will be made up of the Light Combat Helicopter (LCH) and the Indian Army is expected to induct about 114 units of LCH over the forecast period. While the Indian Air Force plans to field 16 Rudra helicopters, the Indian Army plans to field as many as 60. Recent reports indicate that the Indian government is considering a proposition to cancel acquisition of KA-226 helicopters and instead focus on acquisition of domestically developed LUH helicopters, while the navy has already placed an urgent order for 24 MH-60R Seahawk Anti-Submarine Warfare (ASW) helicopters in February 2020 and could order additional helicopters in the near future.

The Indian Navy is focused on upgrading its ASW capabilities. Recent reports suggest that the deal to acquire 10 P-8A Poseidon Maritime Patrol Aircraft (MPA) has been dropped in favor of developing Multi-Mission Maritime Aircraft (MMMA), which would be based on the C-295 platform. The Indian Navy is also investing in its surface fleet and helicopters. In 2019, the Navy placed an order for 16 shallow water ASW corvettes, which are designed to operate in shallower coastal waters and are smaller than the P-28 corvettes the Navy currently has. Additionally, as of March 2023, of the seven P-17A frigates under construction, five have been launched, with the first anticipated to be commissioned sometime in 2023. Similarly of four P-15B destroyers, two have been commissioned, while the remaining two are anticipated to enter service sometime in 2023 and 2024.

The Indian Air Force is currently contending with depleting squadron strength, and as of March 2023 they have received 36 French Rafale aircraft. A large part of the Indian Air Force's squadron strength in the future is expected to be derived from indigenously developed fighters. When considering the budget for just military services in isolation excluding acquisition funding from MoD civil requirements, the FY23 funding accounts for 75% of the overall defense acquisition funding reserved for indigenous equipment which amounts to \$14. billion. This reserved funding encompasses \$6.3 billion (INR480 billion) for already ordered 83 Tejas MK-1A multirole combat aircraft and funding for the indigenously developed Light Combat Helicopter (LCH), preliminary order for which was placed in 2022.

Border Disputes

India and Pakistan share a disputed border in the Northwestern states of Jammu and Kashmir. The two nations have fought three contained wars (1947, 1965, 1999) over the region since the partition of the countries in 1947. The Line of Control (LoC), the border established in 1947, has never been accepted by Pakistan. This demarcation of the borders allocates most of the land encompassed in the states to India. However, Jammu and Kashmir are both Muslim-majority states, and Pakistan therefore feels as though they should be part of Pakistan instead of India.

In August of 2019 the Indian government decided to revoke Article 370 and Article 35A of its Constitution. By revoking these articles India has stated that Kashmir is no longer an issue to be discussed with Pakistan and is unequivocally part of India. Pakistan is expected to adopt an increasingly hostile stance towards India in the wake of this decision by India's government. Since 2019, terrorist attacks targeting the Indian military along with civilians in Jammu and Kashmir have increased. Additionally, in 2022, the targeted killings of civilians in Kashmir have rekindled the fear among the Hindu minorities residing in Kashmir. This is likely to compel the Indian government to enact more aggressive counter terrorism measures in the region. As such, a considerable share of India's defense budget will be directed towards the maintenance of a well-equipped standing army in Jammu and Kashmir, as well as increasing India's counter terrorism capabilities.

India and China fought a brief border conflict in 1962 in which China invaded Indian land and pushed the Indian military back some 30 to the town of Tezpur. Despite numerous attempts over the last 60 years, neither India or China is willing to give up its claim over the area fought on during the 1962 war, and the current Line of Actual Control (LAC) remains poorly defined.

In 2013, the Chinese PLA (People's Liberation Army) set up a camp in Daulat Beg, where Indian forces have always avoided setting up any permanent base, which resulted in increased tension between the two countries. China has also continued to finance the development of ports in Sri Lanka, Bangladesh, Pakistan, and Myanmar, leading Indian officials to feel that China is attempting to encircle them.

India continues to accuse China of cross-border transgressions. From May 5, 2020, Indian and Chinese troops engaged in several melee skirmishes along the Sino-Indian border. One particular skirmish on June 15- 16, 2020, resulted in the deaths of 20 Indian soldiers and 43 on the Chinese side. More recently, both nations have disengaged from the 2020 conflict region; however there has not been a discernable change in the defense stances of both nation's militaries since 2020.

Despite disengagement the 2020 incident has exacerbated the tense relationship between the two neighboring nations. By November 2020, the Indian government decided to ban more than 200 Chinese apps from companies such as Tencent, Alibaba, Sina, Baidu, and ByteDance, among others. The clash has also compelled India to warm up to The Quadrilateral Security Dialogue, a strategic security dialogue between Australia, India, Japan, and the U.S.

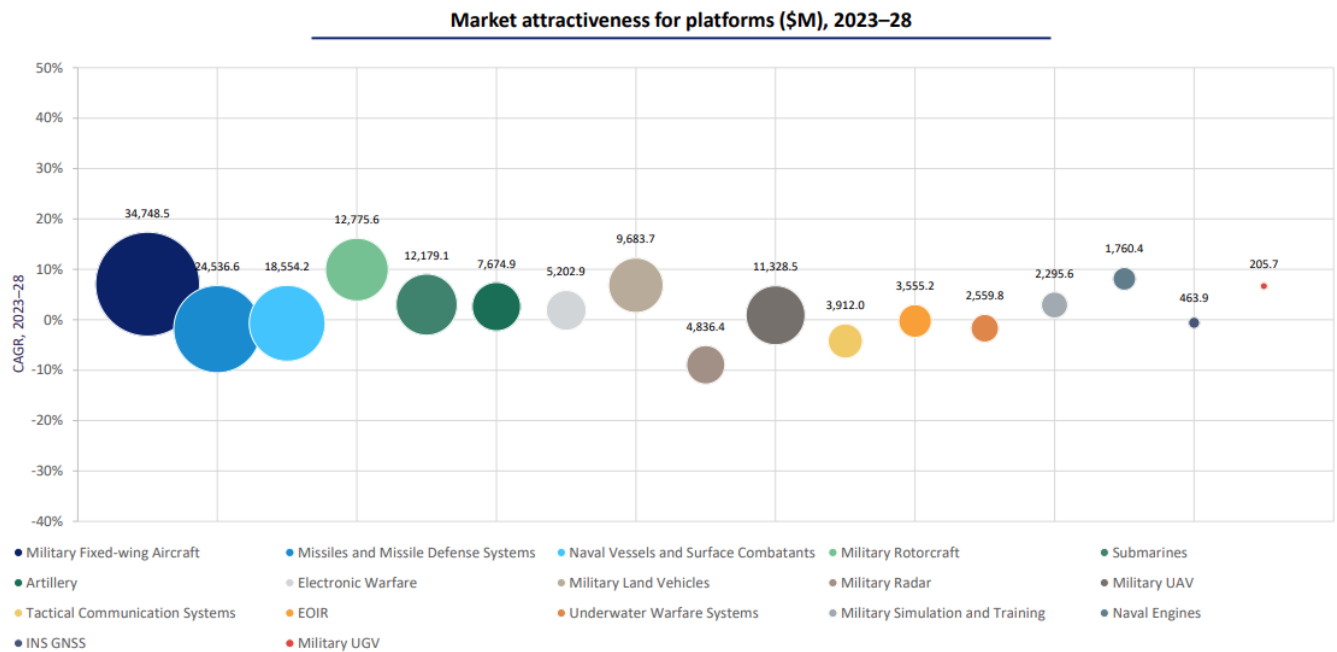
Market Trends and Insights

The August 2019 Balakot air strike, and the subsequent aerial engagement between India and Pakistan, exposed critical gaps in the Indian Air Force's air combat capabilities. The aerial engagement resulted in an Indian MiG-21 Bison aircraft being shot down and the pilot being briefly captured. Although the Indian pilot was released almost immediately, the engagement underscored the critical need to induct a long-range beyond-visual-range air-to-air missile (LRBVRAAM). As a consequence, India placed an emergency \$700 million order for the acquisition of 400 R-77 active radar guided missiles, along with 300 R-27 IR guided missiles as an interim measure. However, in the long-term, the DRDO-developed Astra MK-I missile, which is already in production, is expected to see expanded fleet wide use. To enhance inter-services coordination and enable a combined arms doctrine, the modernization of C4ISR systems is a high-priority project, with specific emphasis on command and control and ISR (Intelligence, Surveillance, and Reconnaissance) systems. India launched a nationwide integrated Defence Communication Network (DCN) in July 2016, with its focus now shifting to the development of ISTAR platforms.

Over the last decade The Indian DRDO has worked on the TAPAS-BH-201, program which was an initiative to develop a Medium Altitude Long Endurance (MALE) Unmanned Aerial Vehicle (UAV). Although despite prolonged development the project seems to have hit development problems. However, as of 2023, latest reports indicate that the technologies developed for the TAPAS project are likely to go into the Aeronautical Development Establishment's (ADE) Archer-NG UAV project that seems to be loosely based on a combination of elements inspired from TAPAS UAV and Heron TP UAV projects.

Research and development is one area where the country invests significantly. The Defense Research and Development Organization (DRDO) is the body overseeing the research and development process in the country's defense sector. The country's FY2023 budget sets aside about \$14.8 billion (INR1,186.2 billion) for domestic defense procurement. In order to fuel the 'Make in India' concept, the country is focusing more on its research and development work and the country is in the process of testing its Advanced Air Defense (AAD) interceptor missile against an incoming ballistic missile, in order to assess its operational capability. Other major programs include the Nirbhay Land Attack Cruise Missile system, and the Final Operational Clearance (FOC) of Light Combat Aircraft and Light Combat Helicopter (LCH) platforms, among others.

Emerging Opportunities



Military fixed-wing aircraft is the largest sector by forecast value. The cumulative market value is \$34.7 billion, with a positive CAGR of 7.06%. There are numerous planned programs contributing to the value of this segment as the Indian Air Force has been on the forefront of leading the military's defense modernization initiative. With the SEPECAT Jaguar phaseout anticipated to commence sometime in 2024, the IAF and the HAL are expected to replace them with Tejas MK-2 fighters which though delayed are anticipated to enter production between 2027-30 time frame. However, in near term to address the critical issue of falling squadron strength the Indian Ministry of Defense (MoD) on behalf of the IAF is likely to order an additional 50 more Tejas MK-1A fighters taking the total inventory of Tejas Mk-1A to 123-133 air frames. In the post forecast period sometime between 2035-40.

Apart from this the IAF is also investing in acquisition of 70 HTT-40 basic trainer aircraft to expand the training regime of training pilots. Concurrently the IAF is also in the process of replacing their fleet of Hawker Siddley HS-748

transport aircraft with 56 modern Airbus C-295M light transport aircraft and has floated a tender for acquisition of 40-80 Medium Transport Aircraft with a capacity of about 18—30 tones. Apart from this, the IAF is slated to acquire six additional Netra AEWG, based on Airbus A321 platform, while the Coast Guard is likely to induct at least six units of C-295M aircraft in maritime patrol variant and could expand order further in future. More recently the IAF has released a tender for acquisition of 40-80 Medium Transport Aircraft, with a capacity of 18 tons to 30 tons.

Missiles and Missile Defense Systems (MDS) is ranked as the second largest sector within the Indian defense market and is cumulatively valued at \$24.5 billion over the period 2023–28. Platform based MDS is the largest sub-sector within the overall Missiles and Missile Defense Systems (MDS) sector and is cumulatively valued at \$16.6 billion between 2023–28. Anti-Air Missiles sub-sector inclusive of air-to-air and surface to air missiles rank as the second largest sub-sector within the Missiles and Missile Defense Systems (MDS) market and is cumulatively valued at \$3.4 billion between 2023–28. Anti-Tank Guided Missiles (ATGM) with a cumulative value of \$1.5 billion is ranked as the third largest subsector within the Indian Missiles and Missile Defense Systems (MDS) market. Other segments inclusive of Anti-Radiation Missiles, Anti-Ship Missiles, Conventional Land Attack Missiles, MANPAD and Strategic Land Attack Missiles cumulatively account for the remaining balance of \$3.2 billion over the period 2023-28.

Naval Vessels and Surface Combatants ranks as the third largest sector within the Indian defense market and is valued at \$20.9 billion over the period 2023–28. Frigates, is ranked as the leading sub-sector within the Naval Vessels and Surface Combatants, valued at \$4 billion over the period 2023–28. Corvettes, is ranked as the second largest sub-sector within the Naval Vessels and Surface Combatants sector and is valued at \$3.4 billion over 2023–28. Light Combat Vessel, inclusive of OPV, Patrol Boats and Missile Crafts is the third largest sub-sector within the Naval Vessels and Surface Combatants and is valued at \$3.1 billion over the period 2023–28.

Below is a chart of the top defense segments by value in millions of dollars.

Segment	Sector	2023	2024	2025	2026	2027	2028	Total 2023–28
Combat Aircraft	Military Fixed-wing Aircraft	2,334.9	3,029.0	3,422.7	3,246.4	3,404.4	3,465.8	18,903.2
Platform Based MDS	Missiles and Missile Defense Systems	2,700.8	2,909.2	3,289.9	2,805.1	2,285.7	2,562.6	16,553.3
Transport Aircraft	Military Fixed-wing Aircraft	863.2	1,374.9	1,448.2	1,421.9	1,493.2	1,346.7	7,948.0
Main Battle Tanks	Military Land Vehicles	882.8	1,030.8	1,068.8	1,206.8	1,254.8	1,304.2	6,748.1
Transport and Utility Helicopter	Military Rotorcraft	606.0	963.9	989.5	1,006.4	1,047.5	858.1	5,471.3
ISR Aircraft	Military Fixed-wing Aircraft	516.7	835.2	1,250.7	856.8	1,356.7	506.3	5,322.4
Loitering Munition	Unmanned Aerial Vehicles	397.0	1,958.3	2,017.5	175.7	147.0	189.1	4,884.7
MALE	Unmanned Aerial Vehicles	591.0	597.9	837.5	806.2	822.6	838.3	4,493.7
Self-Propelled Artillery Systems	Artillery	526.0	606.5	709.0	814.0	884.0	741.5	4,281.0
Nuclear-Powered Attack Submarine (SSN)	Submarines	708.2	750.2	808.5	854.2	516.2	576.2	4,213.7

Source: GlobalData Intelligence

Market Entry Strategy

The Indian Ministry of Defense undertakes and executes procurement contracts for the requirements of the armed forces. A number of modifications have been made to the Defense Procurement Procedure (DPP), which came into effect in 2002. The Indian government tweaked its defense procurement policy and finalized its strategic partnership policy to encourage the private sector to engage in defense production. However, the new procurement manual refines some of the existing provisions in the previous document. According to the updated guidelines, the Ministry of Defense will select six key private companies as strategic partners and allow them to compete on an equal footing with public sector enterprises to secure defense contracts. The Indian government has opened four key sectors to strategic partnership in terms of defense production – armored vehicles, submarines, helicopters, and fighter aircraft. Furthermore, in accordance with updated guidelines, once the foreign suppliers are shortlisted, a group of Indian companies will be invited to plan their collaborations and present joint proposals to the Indian Ministry of Defense (MoD). However, each Indian company is only allowed to participate in one Strategic Partnership Project (SPP) at any given time.

All Indian defense procurement decision, except those made by the Indian Army, are approved by the Defense Acquisition Council (DAC). The Indian government excluded the army from this process in 2017 in an attempt to speed-up the process of acquiring defense equipment and weapons systems. Today, the Vice Chief of Army Staff is empowered to approve weapons procurement projects. While this system is only in place for the army, those in the navy and air force are pushing for similar considerations from the Indian government.

India is attempting to establish itself as a self-reliant domestic manufacturer of defense products and services. To achieve this goal, the Indian government has initiated a series of reforms in recent years. These reforms include the streamlining of defense acquisition procedures, allowing the private sector access to defense contracting, permitting foreign firms to invest in domestic defense firms, encouraging more joint R&D and production with foreign firms, and encouraging arms exports.

Foreign Direct Investment

The Draft Arms and Ammunition Manufacturing policy (DAAM) has been issued by the Ministry of Home Affairs (MHA) in order to regulate the production of arms and ammunition in the private sector. The following highlights the key points under DAAM:

- The private sector is permitted to manufacture arms on a limited basis and only upon the issue of an industrial license by the Department of Industrial Policy and Promotion (DIPP)
- DIPP licenses are only issued to private companies that agree to invest \$11 million (INR500 million), subject to the maximum 74% FDI and have advanced manufacturing capabilities. In 2016, India with an aim to reduce dependency on imported ammunition, finally decided to lift the restrictions on the participation of the private sector in manufacturing ammunition.
- The supply of arms and ammunition is restricted to the Central Paramilitary Forces, and Defense and State Governments, on a tendering or export basis. Sports weapons and non-prohibited bore (NHB) weapons can, however, be sold to license holders through registered arms dealers.
- The manufacturing quota of existing firms will not be enhanced.
- DIPP has the authority to make changes in the draft policy as and when required.

The Indian Ministry of Commerce and Industry released a FDI regulatory framework in 2020 which increased the FDI limit in the defense sector to 74%, an increase from the 2014 limit of 49%. Additionally, subject to government approval up to 100% FDI in defense is also allowed through the Government route.

The new limit is composed of various foreign investments, such as foreign institutional investors, foreign portfolio investors, qualified foreign investors, and foreign venture capital investors. International defense OEMs also have the option of investing 100% in defense production and the company can establish a presence by opting for the direct route and investing in starting a fully owned subsidiary within the country. Under the modified regulations issued by

the Department of Industrial Policy & Promotion (DIPP) on June 29, 2017, government approval is only required for projects which involve an equity stake of greater than 49% in the local company and such proposals must result in a transfer of modern technology to the Indian industry.

Market Entry Routes

There are five possible market entry routes to the Indian defense market: government-government deals, direct commercial sales, direct emergency, co-production of defense equipment, and joint ventures. Each paragraph in this section will provide information on one of these routes.

Government-government deals

Although traditionally India has preferred to acquire defense equipment via direct commercial sales by inviting an open tender and then select a competing product from the offerings on the basis of least cost, it has shown a preference for government-government deals to acquire defense equipment. The possibility of graft in defense deals has deterred the present Modi regime from adopting direct commercial sales to procure defense equipment. The Indo-French deal for the acquisition of 36 Rafale aircraft in 2016 was an intergovernmental deal and the government is likely to continue pursuing inter-government deals to acquire defense equipment.

Direct commercial sales

Although the option of inviting a tender and subsequently choosing a vendor offering required equipment at the least possible cost is likely to be overlooked in procurement of advanced defense platforms and equipment, the option of direct commercial sales still presents a viable option for the Ministry of Defense (MoD) to procure consumable goods and defense equipment of relatively lower priority. Cost is likely to still be a key consideration in acquisition of goods and services in bulk for administrative requirements.

Direct emergency procurement

With much of its critical defense procurement programs mired in bureaucratic red tape, the Modi government has empowered its armed forces to acquire defense goods, services, and equipment up to a value of INR3.0bn. The Indian military forces have been vested with the power to order items such as goods, services or equipment under emergency procurement and meet its immediate requirement.

Co-production of defense equipment

India seeks to enhance the caliber of its own domestic defense industry and is receptive to vendors offering co-production rights. The country values the ability to control all aspects of production of defense equipment, if not the design and development process itself. Thus, companies willing to offer co-production rights to have a good chance of securing contracts. The Indo-Russian Brahmos anti-ship missile produced by Brahmos Aerospace is a good example of such a venture. However, more recently India has been focusing on workshare and participation in design and development process of product development as well. The country's venture to co-produce Medium Transport Aircraft (MTA) with Ilyushin of Russia failed because both parties could not agree on the work share of the process.

Joint ventures

Over the historic period, foreign OEMs have formed joint ventures and set up operations in India to enter the defense market, instead of opting for the conventional route of selling defense equipment as imports from an overseas location. Government regulations only allow a maximum equity holding of 49 % for foreign companies, however, despite this, the number of foreign companies entering the Indian defense industry through joint ventures has increased over time. The main reason for this increase is the awareness that the Indian defense industry is growing strongly, and the expectation that forming a joint venture will bring future benefits, as the country looks to procure defense equipment domestically. This is fueled by the Indian government's ambitious project, Make in India, which is expected to attract foreign investors. As a result, gaining a domestic market presence will become important to take advantage of market opportunities as they emerge in the future. Joint ventures are therefore the most advantageous form of market entry for any foreign OEMs hoping to operate in the Indian domestic defense sector.

Key Challenges

There are a number of challenges associated with breaking into the Indian defense market. Chief among them is the erosion of the Indian rupee. Over the last two years, the value of the Indian rupee has depreciated considerably. The Indian rupee, as a market driven currency, is subject to the volatility of the international currency market and as such has increasingly demonstrated significant volatility with respect to the U.S. dollar. In 2017 the Indian rupee was valued at INR65.1 per U.S. dollar; in 2023, the Indian rupee is valued at INR80.2 per U.S. dollar. Some experts are in favor of devaluing the Indian rupee, which is expected to revive the stagnating economy. However, this move would nevertheless put pressure on Indian defense procurement, especially from overseas suppliers. Given the fact that India pays for most of its defense imports in U.S. dollars, a steep appreciation of the U.S. dollar value against the Indian rupee, decreases its purchasing power in U.S. dollar terms, making imports of advanced defense equipment a highly cost intensive affair.

Bureaucratic red-tape continues to be an issue in India's defense market. An Indian Ministry of Defense (MoD) report, presented in February 2018, has identified the problem areas and states that multiple and diffused structures with no single point accountability, multiple decision-heads, duplication of processes, delayed comments, delayed execution, no real-time monitoring, no project-based approach, and a tendency to fault-find rather than to facilitate. Additionally, there is usually a long time period gap between RFP and the contract signing stage. Once a defense procurement project enters the Request for Proposal (RFP) phase, the average time needed to clear the relevant files is estimated to be 120 weeks or about 2.3 years, which is about six times longer than the rules laid down by the Indian MoD in 2016.

Insufficient information and the lack of clear future plans have been key challenges for both the private sector and foreign companies in planning the production of research and development technology or the formation of joint ventures. Although the MoD has agreed to provide a public version of the long-term plan, its effectiveness remains to be seen. Based on the new LTIPP, a technology perspective capability road map will be produced and shared with the DRDO, defense public sector undertakings, and the industry to enable advanced planning.

Lastly, the Indian defense procurement process is extremely vulnerable to the possibility of graft. Defense deals traditionally were executed by inviting open tenders, which were potentially vulnerable to procurement decisions being influenced by bribes. Defense companies in the past have been blacklisted due to employment of dubious corrupt trade practices such as offering bribes to Indian officials. Companies found to have engaged in corrupt trade practices, are categorized under suspended, debarred, and restricted-procurement categories. Against this backdrop, the politicization of defense deals presents a major hurdle for foreign OEMs. Since defense deals are liable to be often politicized, with accusations of corruption from the political opposition, companies are likely to be categorized under restricted procurement. As such, foreign OEMs run the risk of damaging their reputation due to prolonged anti-corruption investigations against them.