



**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

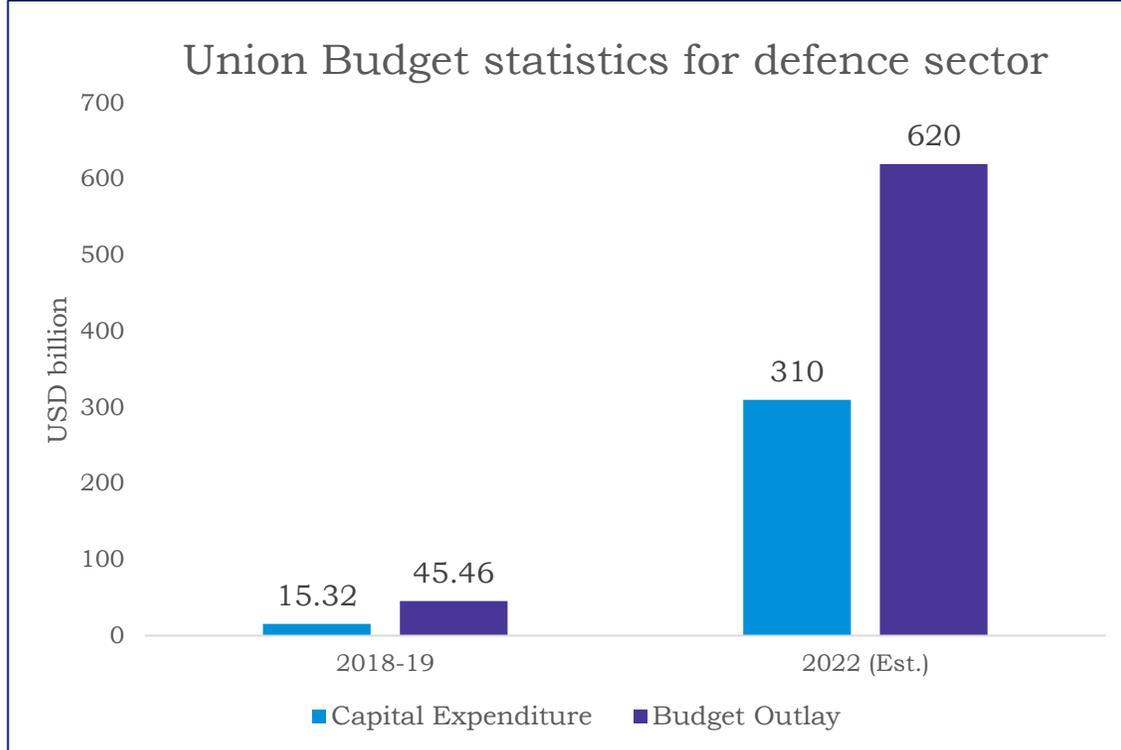
12%

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

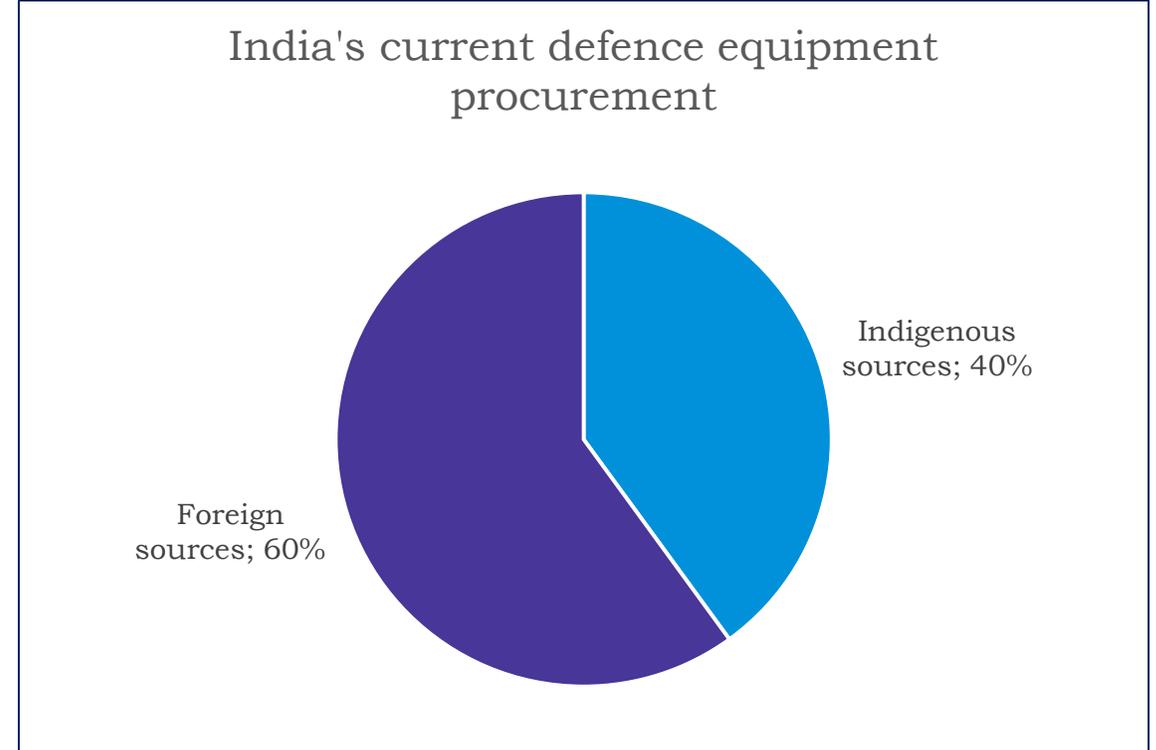


Overview (2/2)

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



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

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

Tamil Nadu scenario



Overview

120+

Aerospace component manufacturing companies in Tamil Nadu

700+

Suppliers to various defence PSUs are operating in Tamil Nadu

70+

Engineering colleges conducting Aerospace courses

5000+

Aerospace engineers graduating every year

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

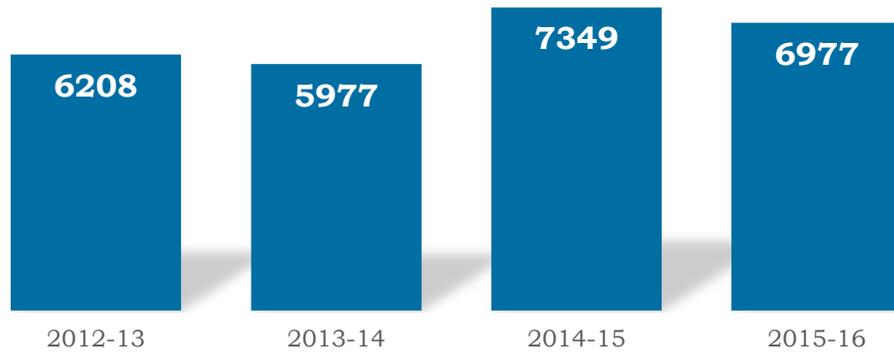
Aerospace & Defence Policy

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

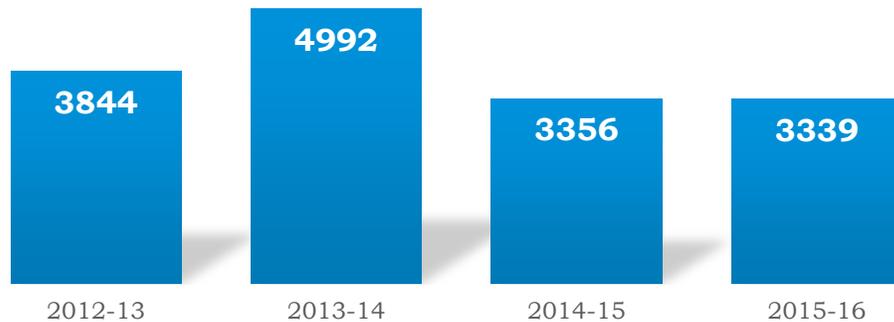


Manufacturing in Tamil Nadu

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

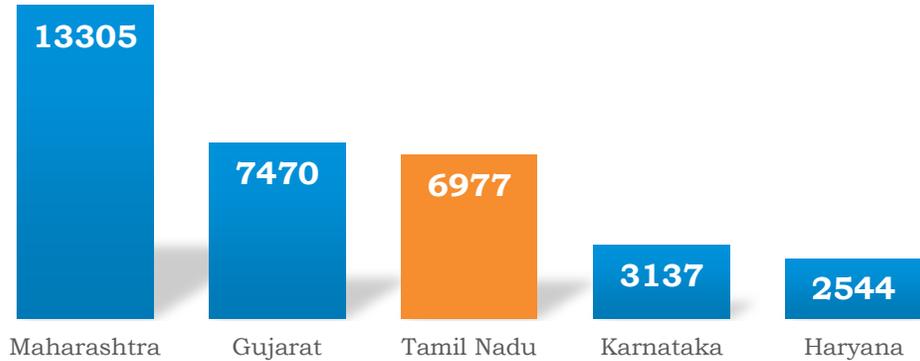


Year-wise output of manufacture of fabricated metal products in Tamil Nadu (USD million)

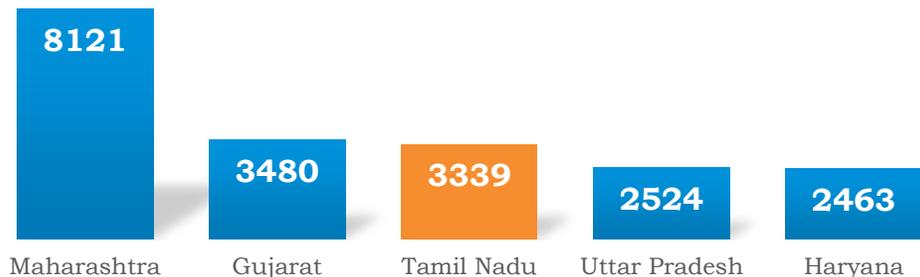


Manufacturing in Tamil Nadu

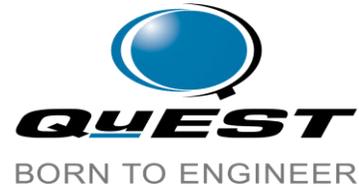
State-wise output of manufacture of machinery & equipment n.e.c. in 2015-16 (USD million)



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



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



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

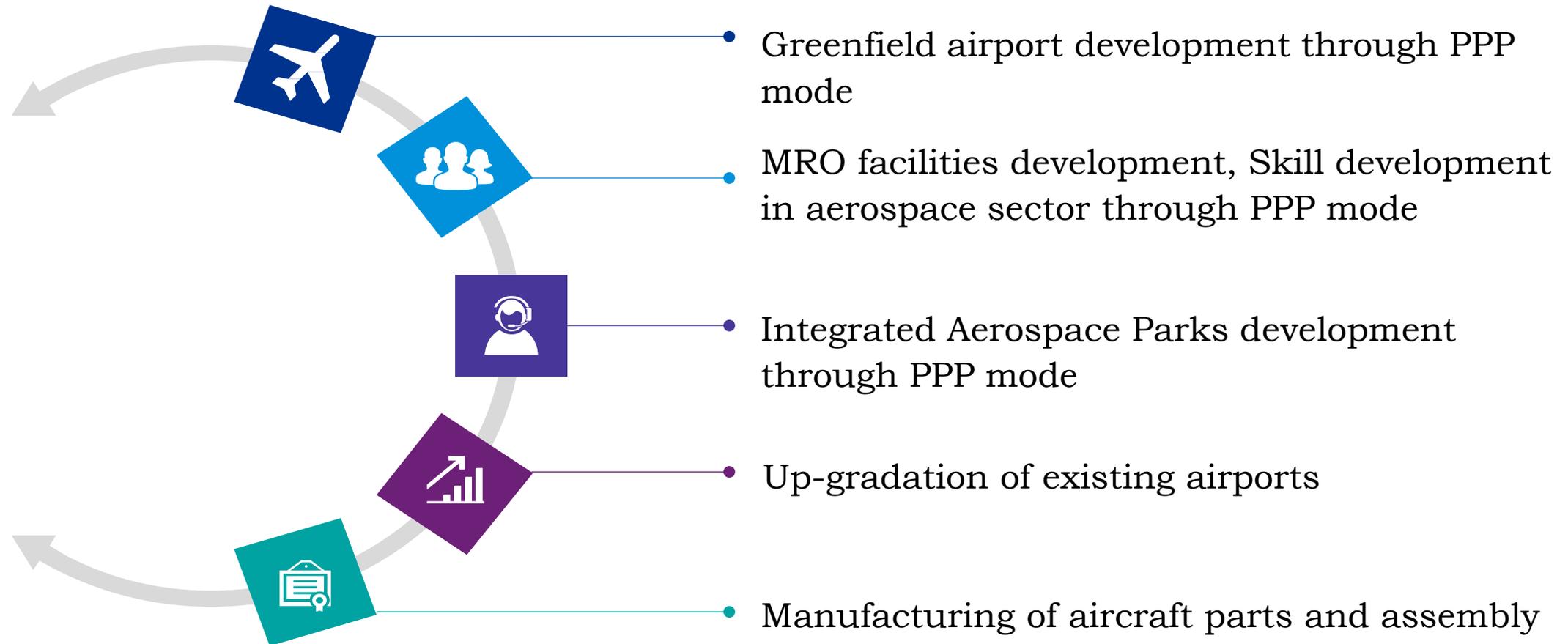
- Thiruvидanthai, Chennai hosted DEFEXPO 2018 in April 2018
- 150+ global players and 520+ Indian defence companies participated
- A number of tanks, aircrafts and other military equipment were displayed



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



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 |
| Super Mega B | Above 3000 – 5000 and creating an employment of 600 in 6 years | Above 2000 – 4000 and creating an employment of 400 in 6 years | Above 1500 – 3000 and creating an employment of 350 in 6 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

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

Tamil Nadu Industrial Development Corporation Limited (TIDCO)
19-A, Rukmini Lakshmiopathy 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 Lakshmiopathy 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

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: secyit@tn.nic.in
Website: www.elcot.in

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

Thank you