

## **Defence business : Opportunities and initiatives by Reliance Defence**

**Reliance Infrastructure Limited (RInfra) and its promoted Reliance Defence Limited (RDL) & Reliance Defence and Engineering Limited (RDEL - Pipavav) held an Analyst Meet on Monday, the 27 February, 2017 in Mumbai. During the meet, the Company discussed various aspects with respect to the Defence business i.e. market, opportunities and initiatives by RInfra.**

**The key highlights of the said Meet are provided below.**

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### **A. The Defence Market**

1. The global defence market is estimated at USD 1800 Billion. India with a spending of USD 51 Billion in the year 2016 has moved up to 4<sup>th</sup> position from 6<sup>th</sup> position in the year 2015.
2. Indian Defence budget is Rs. 2,62,000 Crore for FY 2017-18, an increase of 5% over the last year budget. The capital acquisitions of defence hardware in next 10 years is expected to be approx. Rs 15 Lakh Crore (Rs 1 Lakh Crore per annum);
  - a) Aerospace - Rs 5,20,000 Crore
  - b) Naval - Rs 3,50,000 Crore
  - c) Land systems - Rs 6,00,000 Crore
  - d) Security - Rs 30,000 Crore
3. India is the largest importer of defence products accounting for 14% of the total global imports in the year 2016. Currently, about 70% of the Indian defence procurements are imported.
4. India will have Rs. 86,000 Cr of defence expenditure in the year 2017-18. This will offer large opportunities for Indian Private Sector Defence Companies, given renewed thrust by Government of India towards "Make in India" in the Defence sector.

### **B. Reliance Defence Business – progress in last 13 months**

1. In January 2016, RInfra has acquired management control of Pipavav Defence Offshore and Engineering Company Limited (PDOECL) now renamed as Reliance Defence and Engineering Limited (RDEL). Reliance Shipyard at Pipavav has the largest Dry Dock in India. Reliance Shipyard has world class infrastructure facility to undertake all types of construction / refit / life cycle support of Warships, Submarines, Commercial vessels (including large bulk carriers), Oil & Gas platforms / rigs.
2. It has received 27 industrial licenses in last year for manufacturing of various defence hardware / equipments for Army, Navy and Air Force. This is the highest number of Industrial Licenses for any Defence Company in India. It has also formed several strategic partnerships and Joint Ventures with global defence majors.

3. It has signed an agreement with Dassault Aviation, France, to be the key offset partner for 36 Rafael Aircraft contract. It is the largest offset contract in the history of India at approx. Rs 30,000 Crore.
4. The Reliance Shipyard (RDEL) has been selected by U.S. Navy to provide services to its 7th Fleet consisting of more than 100 ships.
5. In January 2017, RDEL has signed a contract to build 14 Fast Patrol Vessels (FPVs) for Indian Coast Guard.
6. It has signed strategic partnership with Antonov, Ukraine for Transport Aircraft.
7. An experienced team is in place to implement the plans and initiatives in Defence sector. The team comprises of more than 2,000 professionals and over 200 plus senior management executives.

### **C. Aerospace - opportunities**

1. More than Rs. 5,00,000 Crore of Indian Aerospace programs are expected to awarded in the next 15 years.
2. Reliance Defence has taken a lead in the Aerospace segment.
3. Rafale Offset Contract, largest ever in India, to be the nucleus of Aerospace eco-system in the country.
  - a) Dassault Reliance Aerospace Limited, a JV Company with Reliance holding a stake of 51% is to be a key player along with more than 100 SMEs & MSMEs in meeting the offset obligation of approx. Rs 30,000 Crore for "Rafael 36" contract.
  - b) Dassault Reliance JV will provide Performance Based Logistics for 50 years (scope includes maintenance, repair, overhaul and upgrades) and it is expected to execute additional orders of Rafael Fighter Aircraft, if awarded, for Indian Armed Forces under "Make in India".

### **D. Offset Export opportunities**

1. Offset obligations are integral part of the defence contracts and prevalent in many countries including India. Offset obligations ensure exports from India and is instrumental in creating a defence eco-system in the country.
2. Currently, the overall India Offset opportunities is in excess of Rs. 77,000 Crore.

### **E. Naval & Commercial Ship Building and Oil & Gas opportunities – Reliance Defence & Engineering Limited (RDEL) at Pipavav**

1. Reliance Shipyard at Pipavav has world-class infrastructure facilities including:

- a) Total Assets of about Rs 10,000 Crore
  - b) Largest Dry Dock of India (size - 662 m x 65 m) with capacity of more than the combined capacities of all other dry docks in the country.
  - c) The Shipyard has two Goliath cranes of 600 tons each, with lifting capacity of 1,200 Tons in tandem. This results in faster construction of ships / submarines.
  - d) With the modular and integrated Ship Building Technology, it has the capability to undertake all types of construction / refit / life cycle support of Warships, Submarines, Commercial vessels (including large bulk carriers), Oil & Gas platforms / rigs.
  - e) Currently, Reliance Shipyard is the only Shipyard in India capable of building a new Aircraft Carrier of 65,000 Ton and above.
2. The Shipyard is building five Naval Offshore Patrol Vessels (NOPV) for Indian Navy. Reliance Shipyard is the first shipyard to be awarded warship contract by Indian Navy.
  3. In January 2017, RDEL has signed contracts with Indian Coast Guard to build of 14 Fast Patrol Vessels (FPVs).
  4. Reliance Shipyard is the first Shipyard in India to be selected by U.S. Navy. The Master Ship Repair Agreement (MSRA) has been signed in Jan 2017. The scope includes complex repair and alteration for more than 100 ships of 7th Fleet of U.S. Navy.
  5. RDEL has strategic partnerships with the global majors like, DCNS, SAAB, SAFRAN and Thales.
  6. The naval defence market size is likely to be more than Rs. 3,50,000 Crore in the next 15 years.

#### **F. Land Systems & Integrated Security Systems**

1. This segment focuses on, Small Arms, Ammunition, Artillery Guns, Air Defence Guns, Future Ready Combat Vehicles and Anti Tank Missiles and Upgrading of Tanks.
2. The Integrated Security vertical to focus on Border Security, Air field security and security of critical / sensitive installations / assets across the country.
3. Reliance - Rafael (Israel) JV has been incorporated. The JV is to focus on air defence systems and strategic aerostat solutions. The market for this segment is likely to be approx. Rs. 60,000 Crore in India, in the next 15 years.
4. The defence Land Systems (primarily supply to Indian and security solutions) opportunity is likely to be approx. Rs. 6,70,000 Crore in the next 15 years.

#### **G. Defence Systems and Technologies**

1. Defence Systems and Technology caters to common technology / equipments across all the defence segments namely Army, Navy and Air Force. The technologies are used to build various common equipments such as Radars, Electro-optics, C4I system

(Command, Control, Communications, Computers, and Intelligence), Underwater systems, Missiles and Guided Weapons, Avionics, Communication and Electronic Warfare.

2. It's a high value, complex and high technology segment that requires highly skilled intellectual capital for implementation and IPR from global OEMs.
3. Reliance Defence Systems & Tech Limited (RDST) already functional at Bangaluru will be developing the above said systems / technologies.

## **H. Summary**

1. The Indian defence business opportunities is estimated at Rs 15 Lakh Crores over a 15 year period.
2. Currently, the offset export opportunity is estimated at Rs 77,000 Crore.
3. Government of India has undertaken substantial changes in the defence policies with a specific focus on "Make in India" thereby creating a conducive business environment for Private Sector participation for capability and capacity creation / utilization.
4. RInfra is committed to develop a robust defence business contributing significantly to the national security and to be self-reliant in defence segment.
5. RInfra is confident of becoming one of the leading Defence Companies in India.
6. All the defence businesses will be housed under RInfra. The Defence business is expected to become a leading business vertical of RInfra.

### **Disclaimer:**

**The above said information have been prepared based on information / analysis available on various Government web-sites / other web-sites, public domains (national / global) , discussions held with various industry / domain experts and analysis undertaken by Reliance.**