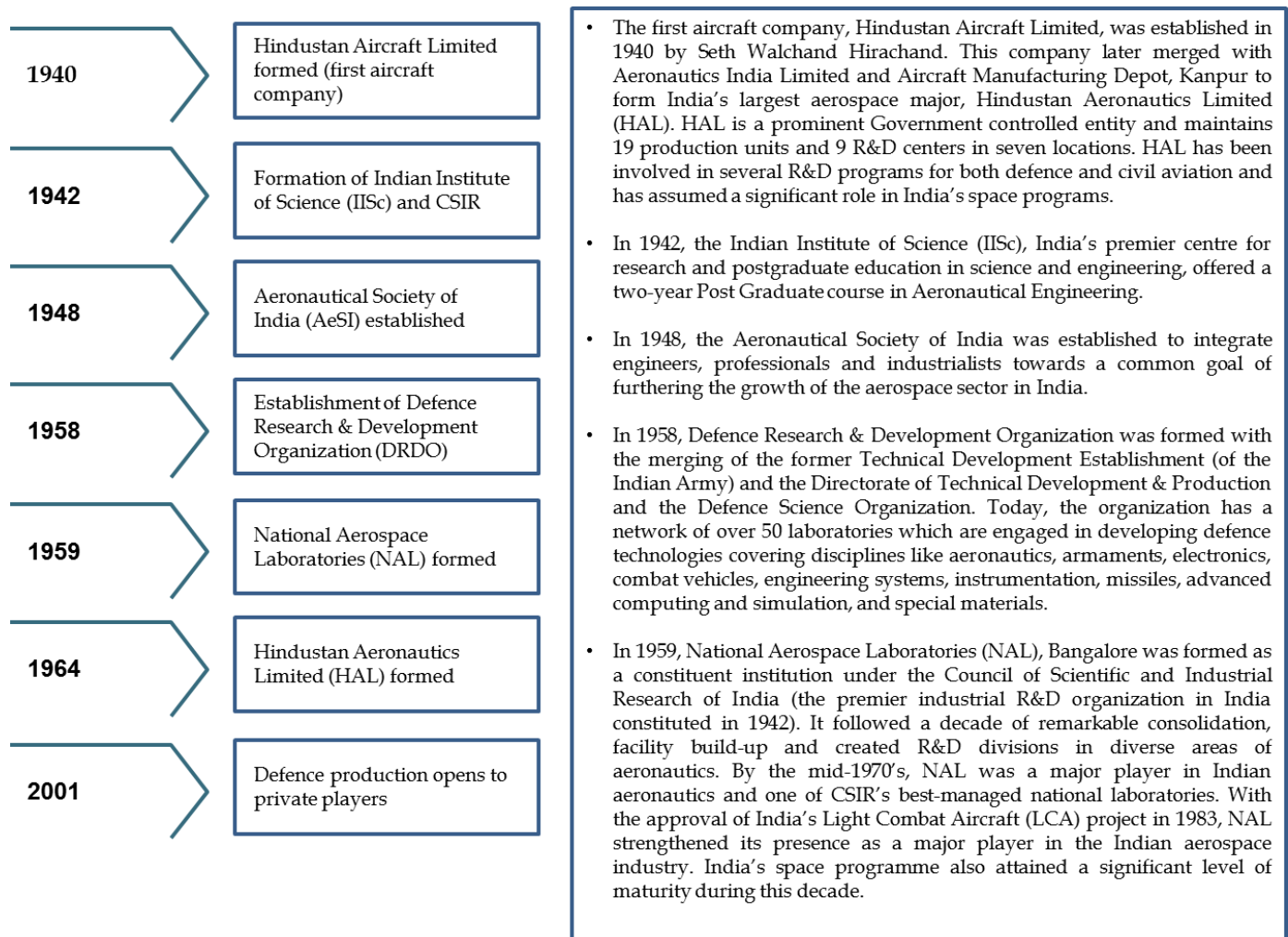


Aerospace Industry - Overview

India has emerged as one of the fastest growing aerospace markets in the world and is fast developing as an attractive manufacturing destination. Indian civil aviation industry ranked ninth in the world (2007) but constitutes less than one per cent of the global industry. Nevertheless, the sector has been growing at almost 20% per annum since 2004². In contrast, the Indian space industry has been very successful, being one of the six in the world to undertake space launches. The efforts of Indian Space Research Organisation (ISRO) and various research institutes like DRDO, IISc Bangalore, CSIR, etc. have played an important role in building development capabilities for various space programmes.

The Indian aerospace industry is one of the fastest-growing aerospace markets in the world with airlines, corporates and HNIs placing orders for an increased number of aircraft. The Indian aerospace industry has historically been dominated by large Public Sector Units (PSUs). The figure below illustrates the key milestones in the development of the Indian aerospace sector:



² India Aerospace: Poised for take-off – Report by AT Kearney



Prior to 2001, the aerospace and defence industries were exclusively reserved for PSUs. Consequently, these PSUs have grown tremendously by developing and acquiring new technologies and entering into the manufacture of indigenous aircraft. Over the years, these PSUs have also helped a number of industries (large and small) to acquire technologies, technical and managerial processes, better quality standards, infrastructure and facilities, networking etc. This has helped the industry enhance its capabilities through exposure to flexible and modern manufacturing methods while simultaneously reducing the tolerance for cost and time overruns. In addition, several private sector groups such as Tata's, Larsen and Toubro, Mahindra and Mahindra, Kirloskar's and a large number of smaller companies have been supplying limited parts and equipment to the armed forces and the PSUs. In 2001, the Government allowed 100% domestic private investment in the defence sector upon obtaining an Industrial Licence (IL) and FDI of up to 26% with conditions. Allowing private investment has begun to attract a number of Indian companies into the sector.

The introduction of the defence offset policy in 2006 and significant liberalization in 2008 has provided significant opportunities for Indian companies entering the sector. New players are entering the industry and are aggressively building capabilities to make them attractive partners for the primes and Tier-1 suppliers. Foreign companies are also showing interest in establishing their presence in India.