

Indian Aerospace Sector - A Promising Segment for Investment in India.

Indian Economy: the Investor's paradise

India is a booming economy which has seen an exceptional growth in its aviation segment in last couple of decades. Counter to demands of aviation segment in the country the existing aviation infrastructure and the carrier's technology needs serious up gradation. As there are ample of opportunities for growth of this sector therefore, venous domestic and international aviations giants are seeing India as paradise for investment in the Aerospace technology and development.

In this line, recently an Indian aerospace giant, Mahendra Aerospace Pvt. Ltd., has sought to make a partner for making aircraft component at its proposed plant in Bangalore. Mahendra Aerospace has outlined an investment of Rs. 230 crore for the Bangalore factory, which will make components to be supplied to global aircraft manufacturers as well as Mahindra's own aircraft manufacturing business. Mahendra and Mahendra entered the aerospace business with acquisition of Australia's Gippsland Aeronautical Pty Ltd in December 2009. The acquisitions have made the Mahindra group, India's first private sector conglomerate with ability to build aircraft. The officials of the Mahendra and Mahendra have said that the Bangalore plant will make use of the government's so-called offset clause, which requires foreign military aircraft and defense equipment manufactures to locally source components worth 30% of contracts valued at Rs. 3000 million or above. The defence procurement procedure has an evolving national offsets policy designed to bring real benefits to India. Revisions so far have made real

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improvements, benefiting from past procurement experience and from well-meaning guidance from industry. This is a positive step for India. The recent release by the Ministry of Defence of the new defence procurement procedures for 2011 is a very progressive step. The new revisions on broadening the aperture of offset credit to include civil aerospace and internal security are welcome.

The offsets programme serves as a vehicle for original equipment manufacture (OEM) to partner with their government customers to support and achieve these objectives. The OEMs can attain productivity gains such as cost reduction, cycle time reduction and access to market-leading technologies. The offsets partners can expand their portfolio of export orders, infuse needed technology, and meet growth objectives. This dynamic creates a win-win scenario for all the three major stakeholders in the offsets programme - the government, the OEM and local industry.

Indian may buy defense equipment worth at least \$ 100 billion over the next 15 years, according to the estimate of industry lobby group confederation of Indian Industry. In the Union Budget 2010-11, expenditure of about USD 32 billion was earmarked for national defence, an increase from USD 29 billion in the previous year. Indian defence procurement spending is expected to increase considerably over the next 10 years, making it one of the most attractive defence markets in the world.