Aug 11, 2026

From Independence to Atmanirbharta: The Rise of India's Defence Prowess!

What's the Point?

- The West Asia conflict has highlighted why India must build critical defence capabilities at home to safeguard security, supply chains, and economic stability.
- India's defence industry supports high-value manufacturing across engineering, electronics, and materials, strengthening both local industrial capabilities and India's external account.
- India's defence exports have surged sharply to Rs. 38,424 crores in FY26 (~3x growth since FY22), supported by a growing private sector share, which could bode well for future growth.

West Asia Conflict Renews the Case for Atmanirbharta

As India marks its 80th Independence Day, the strategic environment around it looks markedly less benign than it did a decade ago. The West Asia conflict disrupted trade and energy across the globe, thus highlighting the importance of being self-reliant across areas critical for national security and well-being.

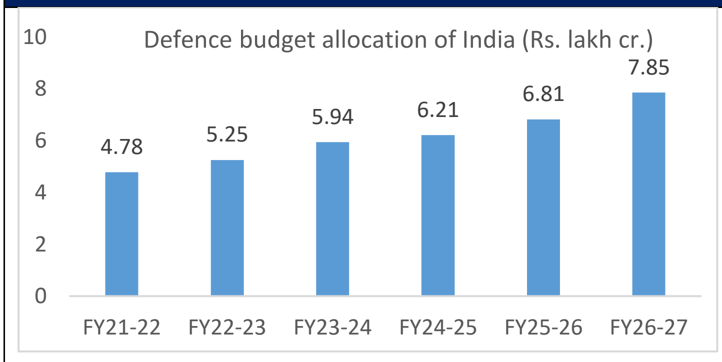
The case for building at home, however, extends well beyond preparedness. Defence sits at the intersection of three national objectives. It is the most visible manifestation of Atmanirbhar Bharat, since few sectors demonstrate self-reliance as concretely as designing and building one's own weapons. It is also a high-value manufacturing industry in its own right, drawing in engineering, materials, electronics and precision machining capability that extends over into the wider industrial base. And it is a growing export earner, thus helping India's external account.

Defence Budgets Are Rising at Home and Abroad

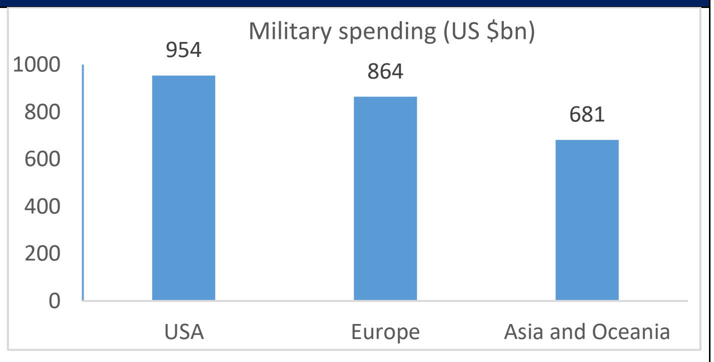
The Ministry of Defence received Rs 7.85 lakh crore in the Union Budget for FY27, the highest allocation among all ministries at approximately 14.7% of central government expenditure and an increase of 15.2% over the previous year. It also represents an almost 3x growth of the Rs 2.53 lakh crore allocated in FY14.

India is not alone in increasing its defence spending. World military expenditure reached a record $2.9 trillion in 2025 according to the Stockholm International Peace Research Institute, the 11th consecutive year of growth and equivalent to 2.5% of global GDP, the highest share since 2009. European spending rose 14% to $864 billion, while spending in Asia and Oceania grew 8.1% to $681 billion. Thus, Indian manufacturers are scaling up against a backdrop of rising global demand.

Ministry of Defence allocation has risen 1.7x since FY21



World military spending hit a record $2.9 trn in 2025



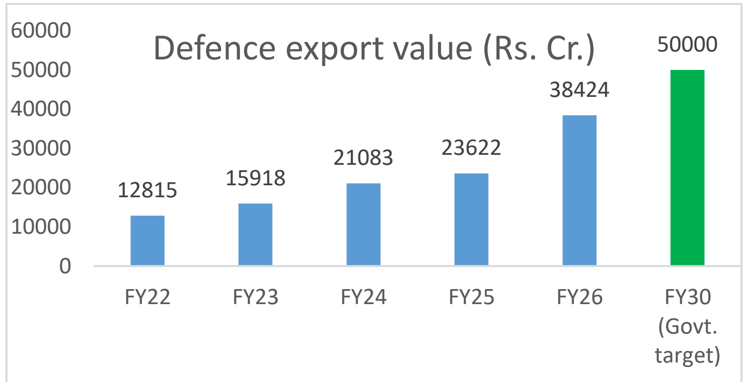
Source: Press Information Bureau, Stockholm International Peace Research Institute (Trends In World Military Expenditure, 2025)

HDFC Mutual Fund: SEBI Registration Number: MF/044/00/6

From Import Dependence to Export Strength

The clearest evidence that the industrial base has changed is on the export side. Defence exports reached Rs. 38,424 crores in FY26, an increase of 62.7% over the preceding year and a very substantial multiple of the Rs. 686 crores recorded in FY14. Roughly 145 Indian companies now export to more than 80 countries, with defence public sector undertakings accounting for around 55% of the FY26 total and private firms the remaining 45%. The government is targeting Rs 50,000 crore of annual exports by FY30, alongside a broader ambition of Rs 3 lakh crore of annual defence production.

~3x growth in defence exports since FY22



Source: Ministry of Defence

What stands out is the breadth of the order book rather than any single contract. India exports a diverse range of prominent platforms including Brahmos Missiles, PINAKA rockets & launchers, aircraft like the Dornier-228, artillery guns, radars, simulators, armoured vehicles, etc. These exports highlight both India's technological breadth and its strengthening position in global defence supply chains.

The Private Sector Steps Up

India's defence production has seen a steady structural shift, with the private sector capturing a rising share of total output. In FY 2025–26, private industry contributed 24% of India's record ₹1.78 lakh crore defence production, up from 22% in FY 2024–25. These figures mark its highest share ever and reflect a long-term upward trend driven by policy reforms and capacity expansion.

The Adjacent Opportunity in Space

India's expanding space economy is creating a growing opportunity for domestic defence manufacturers, enabling them to apply high-precision engineering, advanced optics, microelectronics, and mission-critical systems originally developed for defence programs to satellite missions, launch vehicles, and space-grade payloads. The rapid commercialisation of space technologies, supported by national policy, is accelerating the role of these firms in boosting domestic capability, reducing import dependence, and building an integrated ecosystem that bridges defence and space.

The World Takes Notice of India's Rapid Advancements

India's defence ecosystem is increasingly attracting global partners. Notably the recent 2026 India–UAE Strategic Defence Industrial Partnership includes joint production of unmanned aerial vehicles (UAVs), precision missiles, naval platforms, and AI-driven systems. Additionally, the U.S.-India Defense Acceleration Ecosystem (INDUS-X) aims to continue to facilitate private sector partnerships among U.S. and Indian companies. Together, these partnerships signal a decisive shift from traditional defence sales towards co-development, investment and innovation-driven engagement with India's emerging defence-tech sector.

Conclusion

As India approaches its 80th Independence Day, the trajectory of its defence industry reflects the broader national journey toward strategic autonomy, economic resilience and global relevance. Increased innovation, rising domestic capability, and expanding export strength signals that India is no longer just securing itself but also shaping the global defence landscape. The momentum captured in these trends not only honours the legacy of self-reliance envisioned at independence, but also positions India for a more confident and technologically empowered future.

Source: Ministry of Defence, Press Information Bureau, publicly available information

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