



Summary

This quarter saw a mix of regulatory reform activity and large procurement approvals aimed at accelerating indigenisation and force modernisation. The Ministry of Defence (MoD) issued a revised Security Manual for Licensed Defence Industries as well as initiated the process for review of the Defence Acquisition Procedure, 2020 (DAP). On the procurement side, multiple high-value capital acquisition proposals were given approvals to.

Regulatory Overview

(i) Security Manual for Licensed Defence Industries^[1]

The Department of Defence Production, MoD, released the revised Security Manual for Licensed Defence Industries on 3 July 2025, replacing the Security Manual issued in 2014. The new manual tightens compliance for defence companies with stronger cyber and personnel security requirements, broader coverage, and stricter enforcement.

No timeline set for compliance, however existing licensed defence companies should initiate an internal audit of their operations and initiate compliance.

(ii) Initiation of review of the DAP[2]

The MoD initiated the process for review of DAP, 2020 and had invited public comments for the same. The objective for the review is to ensure timely modernisation of the Armed Forces for national security and to align the DAP with government policies by advancing self-reliance, strengthening 'Make in India' through defence manufacturing and foreign collaborations, and promoting indigenous design and development across public, private and start-up ecosystems

We can expect accelerated procurement, expansion of private sector opportunities, and tightened compliance, creating new growth avenues for the defence industry.

(iii) Updated DRDO procurement manual[3]

DRDO's 2025 procurement manual has been updated to bring internal acquisition processes in line with broader MoD reforms. The changes reflect revised contracting formats, streamlined contractor obligations and faster R&D-to-procurement for indigenous systems.

The revised manual opens greater opportunities for private players, MSMEs and start-ups creating both growth potential for the industry.

(iv) Approval of the Defence Procurement Manual, 2025

The Defence Procurement Manual (DPM) 2025 was approved in September 2025 to further streamline, simplify, enable and rationalise the revenue procurement process. Ease of doing business has been further strengthened in the document and a new chapter has been included to promote self-reliance through innovation and indigenisation. New provisions to incentivise innovation and indigenisation, with relaxed liquidated damages, assured long-term orders, and support for product development have also been included. The DPM 2025 was released on October 24, 2025, an analysis of which will be covered in our next newsletter.

The new manual will further streamline defence revenue procurement, boost self-reliance, efficiency, and industry participation.

(v) Review of indigenous content with focus on Chinese content in supply chain

News reports indicate to a possibility of the MoD enhancing scrutiny of procurement practices to identify any Chinese-origin components in equipment supplied to the MoD and to detect vulnerabilities in the defence supply chain. As part of the 2025 reforms, an external consultant is expected to be enlisted to review of indigenous content, map supply chain dependencies and carry out detailed evaluations of cost structures and technology transfer processes. The MoD will also evaluate patent ownership and investigate instances where private firms may have underquoted development costs, raising concerns of inflated prices at later stages. In February 2025, the MoD cancelled several drone orders after uncovering Chinese-made parts, citing security risks.[\[4\]](#)

Review is expected to lead to stricter enforcement and deeper audits of all defence equipment to ensure full compliance with national security protocols.

[1]<https://www.ddpmod.gov.in/sites/default/files/77f959c9e7b74c6c2eaafce2d6689965f7b35ea78757c3ea9ef2eb754810da0a/beabd9aab30691b4e4fc964347d15860f6402db3e2acfb48addf22b988ebde4d.pdf>

[2]<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2137680>

[3]https://www.drdo.gov.in/drdo/sites/default/files/procurement-manuals-document/DRDO_ProcurementManual2025Latest.pdf

[4]<https://www.indiatoday.in/india/story/india-to-launch-review-to-eliminate-china-made-parts-in-military-equipment-2749445-2025-07-02>

Procurements

(i) Significant capital approvals:

The DAC approved multiple high value capital acquisition proposals this quarter. For instance, in July 2025 Acceptance of Necessity (AoNs) were accorded for procurement of Armoured Recovery Vehicles, Electronic Warfare System, Integrated Common Inventory Management System for the Tri-Services, Surface-to-Air Missiles and procurement of Moored Mines, Mine Counter Measure Vessels, Super Rapid Gun Mount and Submersible Autonomous Vessels under the Buy (IDDM) category.[5]

In August 2025, AoNs were accorded for the procurement of Thermal Imager-based Driver Night Sight for BMP, Compact Autonomous Surface Craft, BrahMos Fire Control System & Launchers and Upgradation of BARAK-1 Point Defence Missile System, Mountain Radars and Upgradation of SAKSHAM/SPYDER Weapon System and Medium Altitude Long Endurance (MALE) Remotely Piloted Aircraft (RPAs) for the three Services.[6]

With new AoNs signalling future procurements, industry players should map upcoming requirements, align capabilities and proactively build partnerships to secure a share of forthcoming opportunities.

Key Industry Collaborations

(i) **India – UAE Collaboration:** At the 13th Joint Defence Cooperation Committee meeting (in July), India and UAE committed to deepen defence cooperation focusing on logistics, training, and industrial ties. This is expected to open UAE-linked opportunities for Indian firms in maintenance, repair and overhaul and logistics.[\[7\]](#)

Bilateral cooperation opens commercial pathways for the industry.

(ii) **India – Saudi Arabia Collaboration:** The 7th meeting of India-Saudi Arabia Joint Committee on Defence Cooperation (JCDC) took place in New Delhi where the focus was on deepening defence partnership. Opportunities were explored for joint manufacturing and partnership in defence equipment with Saudi Arabia.[\[8\]](#)

(iii) Multiple MoUs / contracts / partnerships were signed between Indian OEMs/state governments and foreign defence companies to expand local manufacturing footprints, technology transfer and supplier development, like:

- Airbus Helicopters and Mahindra Aerostructures on the manufacture of main fuselage of the H125 helicopters[\[9\]](#).
- Reliance Infrastructure and Dassault for manufacture of Falcon 2000 jets for the global market[\[10\]](#).
- Bharat Electronics and Safran on the manufacture of HAMMER, a precision guided air-to-ground weapon in India[\[11\]](#).
- Bharat Electronics Limited and Centum Electronics Limited on the design, development and manufacturing of advanced electronic modules, subsystems and systems[\[12\]](#).

[5] <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2141835>

[6] <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2152742>

[7] <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2150322>

[8] <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2161622>

[9] <https://www.airbus.com/en/newsroom/press-releases/2025-08-airbus-deepens-helicopter-manufacturing-in-india-awards-h125>

[10] <https://www.dassault-aviation.com/en/group/press/press-kits/dassault-aviation-partners-with-reliance-group-to-manufacture-falcon-2000-business-jets-in-india-for-global-market/>

[11] <https://www.safran-group.com/pressroom/safran-and-bharat-electronics-limited-forge-partnership-defence-sector-2025-02-11>

[12] <https://bel-india.in/news-bel/bel-centum-ink-mou-to-indigenously-develop-advanced-tech-critical-to-nations-defence/>

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