

Unlocking the Puzzle in India-Australia Defence-Industrial Cooperation

Victor Abramowicz
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AT A GLANCE

The politics are warm, and the opportunity is there. Yet industry is not following. Here is why that matters, and what to do about it.

AUD984 bn

indicative capital and capability investment across both markets over the decade to 2035-36

75%

of India's modernisation budget reserved for domestic industry, yet 40 to 50% foreign content is permitted

6+ 6

near-term capability matches, and medium-term areas of shared technological priority

THE ARGUMENT

- **The political time is ripe.** Six years of political momentum have produced two Defence Ministers' Dialogues, revitalised government interest in military and commercial defence cooperation, and led to the first Defence Industry Business Roundtable.
- **The markets are highly complementary.** Each nation can support the other. India's sector is broad, self-sufficient and cost-competitive but not yet consistently world-leading. Australia's is world-leading in niches but cannot manufacture cost-competitively at scale.
- **The export potential is excellent.** Products built on Indian and Australian intellectual property can be highly cost-effective and, free of the export controls that apply to US-derived systems, can be sold where those systems cannot.
- **But cooperation is limited, and the gap is commercial.** Industrial cooperation so far is a handful of partnerships in optronics, small-arms components and ISR. This reflects commercial issues: a lack of market understanding, and trust deficits born of not having worked together.
- **Government support is needed to close it.** No ministerial communique substitutes for a commercial case, and that will only come when Canberra and New Delhi de-risk the approach for their industries.

THE OBSTACLES, STATED PLAINLY

- Localisation policies pull against each other; in shipbuilding the strongest firms are competitors.
- Australia's largest firms are subsidiaries of foreign parents, so New Delhi often deals with the head office instead.
- Procurement clocks are misaligned. Australia plans decades ahead; much more Indian equipment is bought at short notice.
- India has no equivalent of Australia's DISP, and no announced framework covers classified sharing between businesses.
- A trust deficit over intellectual property and payment reliability. No declaration will resolve it.

SEVEN STEPS

Most require no additional expenditure, only reallocation of existing resources.

1. **Establish dedicated institutional mechanisms.** An Australia–India Defence Technology Development Fund at INR 224 crore / AUD 40m shared equally, plus a bilateral technology working group under the expanded 2+2 MoU.
2. **Preferentially support foreign investment.** A recoverable government-backed concessional loan facility, and a working group to open the DISP pathway to Indian firms.
3. **Develop mutual recognition of security frameworks.** Conclude a formally announced Security of Information Agreement with industry provisions, and establish an Indian equivalent to DISP.
4. **Build trust by de-risking cooperation.** A New Delhi-backed IP insurance facility for Australian firms, matched by a Canberra-backed market access assurance for Indian firms.
5. **Improve procurement transparency.** Restore project-level detail to Australia's Integrated Investment Program and publish an unclassified Indian procurement roadmap. This applies the most broadly of the seven.
6. **Identify non-competitive niches for export collaboration.** Pair complementary strengths for third-country sales rather than competing in the same markets.
7. **Increase mutual literacy.** A persistent programme of industry exchanges, roundtables and embedded personnel, at AUD 250,000 to 300,000 a year shared.

Start with number seven. It costs less per government than a single mid-level official, it is immediately actionable, and every larger initiative depends on the trust it builds. And why now: the current opening will not last, and a diverse supplier base has to be built before a crisis rather than during one.



For India and Australia, the prize is an enhanced international relationship that is commercially rewarding for industry on both sides, strategically de-risking for both governments, and, over time, a meaningful contributor to the security of the wider Indo-Pacific. The puzzle is not insoluble; all that is needed is that both sides choose to begin.

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ABOUT THIS REPORT

The India–Australia defence relationship has never been politically warmer. Industry has not followed. Since the elevation of the bilateral relationship to a Comprehensive Strategic Partnership in 2020, the two countries have substantially expanded military cooperation, including in exercises and information sharing, convened two Defence Ministers’ Dialogues and held the first Defence Industry Business Roundtable. What industry has built is a handful of partnerships in optronics, small-arms components and ISR systems. This report argues that the gap is commercial before it is political, and that it will close only when cooperation makes money for firms on both sides.

The case rests on complementarity. India’s defence sector is largely self-sufficient but not yet consistently world-leading; Australia’s is often world-leading but cannot manufacture cost competitively at scale. Each nation has what the other needs, and products built on natively Indian and Australian intellectual property escape the reach of United States (US) export controls in a way that US-derived systems cannot. Further, uncontested lines of communication between them allow Delhi to support Canberra, and vice versa, with a minimised risk of strategic interference. Against this sit competing indigenisation mandates, Australian primes owned by foreign parents, misaligned procurement timelines and a trust deficit that no ministerial communiqué will resolve. The report states these plainly.

Drawing on verified procurement records, budget documents and industry data from both countries, the analysis identifies near-term matches between documented Indian requirements and established Australian capabilities, six medium-term areas of shared technological priority, and the structural obstacles standing between them. It closes with seven initiatives with indicative costs, most of which require no direct expenditure.

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ABBREVIATIONS

ABS Australian Bureau of Statistics
 ADF Australian Defence Force
 ADITI An iDEX funding scheme for deep-technology defence innovation
 AESA Active Electronically Scanned Array
 AI Artificial Intelligence
 AIDeT-DF Australia–India Defence Technology Development Fund
 AoN Acceptance of Necessity
 APS Australian Public Service
 ATAGS Advanced Towed Artillery Gun System
 AUD Australian Dollar
 AUKUS Australia–United Kingdom–United States security partnership
 AUV Autonomous Underwater Vehicle
 BEL Bharat Electronics Limited
 BVLOS Beyond Visual Line of Sight
 C2 Command and Control
 CBCP Calculated Base Contract Price
 CEA CEA Technologies, an Australian radar manufacturer
 CEATAC CEA Technologies’ tactical radar system
 CSDR Council for Strategic and Defense Research
 C-UAS Counter-Uncrewed Aerial System
 DA Development Agency
 DAC Defence Acquisition Council (India)
 DAP Defence Acquisition Procedure (India)
 DDP Department of Defence Production (India)
 DE Directed Energy
 DIDS Defence Industry Development Strategy (Australia)
 DISC Defence India Startup Challenge
 DISP Defence Industry Security Program (Australia)
 DPIIT Department for Promotion of Industry and Internal Trade (India)
 DPM Defence Procurement Manual (India)
 DPSU Defence Public Sector Undertaking (India)
 DRDO Defence Research and Development Organisation (India)
 DSTG Defence Science and Technology Group (Australia)
 EFA Export Finance Australia (formerly the Export Finance and Insurance Corporation)
 EO Electro-Optical
 EOS Electro Optic Systems, an Australian defence company
 EUT Equipment Under Test
 FDI Foreign Direct Investment
 FY Financial Year
 G2G Government-to-Government
 GMLRS Guided Multiple-Launch Rocket System
 GWEO Guided Weapons and Explosive Ordnance
 HAL Hindustan Aeronautics Limited
 HMI Human-Machine Interface
 IC Indigenous Content
 IDDM Indigenously Designed, Developed and Manufactured

ABBREVIATIONS

iDEX Innovations for Defence Excellence (India)
 IIP Integrated Investment Program (Australia)
 INDUS-X India–US Defense Acceleration Ecosystem
 INR Indian Rupee
 IP Intellectual Property
 IR Infrared
 ISO International Organization for Standardization
 ISR Intelligence, Surveillance and Reconnaissance
 IS&T Defence Innovation, Science and Technology Strategy (Australia)
 ITAR International Traffic in Arms Regulations (United States)
 JORN Jindalee Operational Radar Network (Australia)
 JV Joint Venture
 KCTI Kalyani Centre for Technology and Innovation, Bharat Forge
 LCH Light Combat Helicopter
 LRAShM Long Range Anti-Ship Missile
 LTBA Long-Term Bulk Acquisition
 MII Make in India
 MIL Munitions India Limited
 MIM Metal Injection Moulding
 MoD Ministry of Defence
 MoU Memorandum of Understanding
 MRO Maintenance, Repair and Overhaul
 MRO&U Maintenance, Repair, Overhaul and Upgrade
 MSME Micro, Small and Medium Enterprise
 NASAMS National Advanced Surface-to-Air Missile System
 NSM Naval Strike Missile
 OEM Original Equipment Manufacturer
 PIL Positive Indigenisation List (India)
 PMV Protected Mobility Vehicle
 PMV-L Protected Mobility Vehicle – Light
 PNT Positioning, Navigation and Timing
 PQC Post-Quantum Cryptography
 PSU Public Sector Undertaking (India)
 QKD Quantum Key Distribution
 QRNG Quantum Random Number Generation
 RAN Royal Australian Navy
 R&D Research and Development
 RF Radio Frequency
 RFI Request for Information
 RFP Request for Proposal
 RFT Request for Tender
 RTX RTX Corporation, formerly Raytheon
 RWS Remote Weapon Station
 SCOMET Special Chemicals, Organisms, Materials, Equipment and Technologies (India)
 SDIP Sovereign Defence Industrial Priority (Australia)
 SIA Security of Information Agreement

ABBREVIATIONS

SIPRI Stockholm International Peace Research Institute
 SME Small-to-Medium Sized Enterprise
 SPARK Support for Prototype and Research Kickstart in Defence
 SPM Strategic Partnership Model (India)
 SRIJAN The Ministry of Defence's indigenisation portal
 STEM Science, Technology, Engineering and Mathematics
 TASL Tata Advanced Systems Limited
 TDF Technology Development Fund (India)
 T&E Test and Evaluation
 ToT Transfer of Technology
 TPCR Technology Perspective and Capability Roadmap (India)
 UAS Uncrewed Aerial System
 ULAUV Underwater-Launched Autonomous Underwater Vehicle
 USD United States Dollar
 VHF Very High Frequency
 XL-AUV Extra-Large Autonomous Underwater Vehicle

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EXECUTIVE SUMMARY

The India–Australia defence relationship has entered a period of genuine, government-endorsed momentum. Since the elevation of the bilateral relationship to a Comprehensive Strategic Partnership in 2020, the two countries have substantially expanded military cooperation, including in exercises and information sharing, convened two Defence Ministers' Dialogues, held the first Defence Industry Business Roundtable, and proposed a Defence Innovation Bridge, all within the past two years. The political warmth is unmistakable. Yet industry-to-industry cooperation remains modest at present: a handful of partnerships in optronics, small-arms components, and Intelligence Surveillance and Reconnaissance (ISR) systems, clustered around a single bilateral industry event in October 2025. The gap between declared ambition and demonstrated practice is the subject of this report.

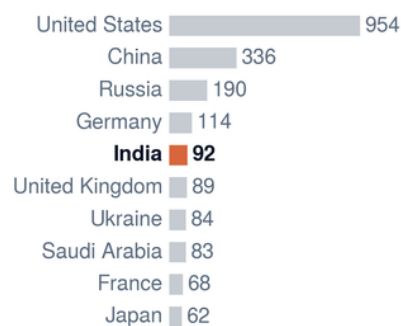
The case for closing that gap rests on a hard-nosed assessment of complementarity. India's defence sector, the world's fifth-largest spender at INR 7,84,678 crore / AUD 139.6bn in FY 2026-27,¹ is producing a broadening range of modern military systems, from the indigenous Akash air defence system to the BrahMos cruise missile co-developed with Russia, both of which have now secured foreign buyers, at prices that reflect India's lower R&D cost base and labour expenses. It is, however, not yet consistently world-leading. Australia's defence industry, by contrast, produces world-class niche capabilities, advanced radars, autonomous systems, precision-guided weapons, and directed energy weapons, cannot manufacture them cost competitively at scale, suffers significant skills shortages, and imports around half of its new equipment from the US and Europe. Each nation has what the other needs.

India is the world's fifth-largest spender and second-largest arms importer

Where India and Australia sit in the two SIPRI league tables that matter most to this report.

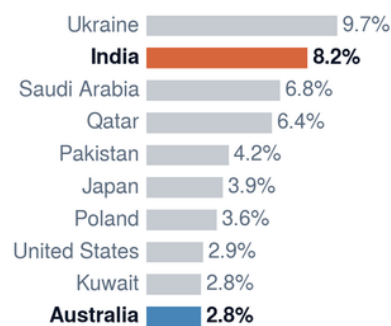
Military spending, 2025

USD bn



Arms imports, 2021-25

% of world total

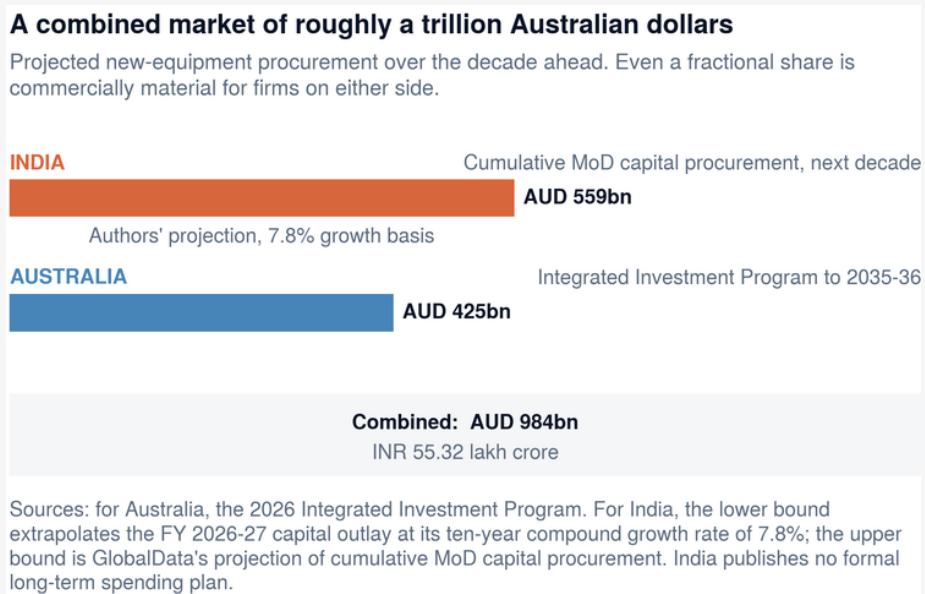


Sources: SIPRI, Trends in World Military Expenditure, 2025 (April 2026); SIPRI, Trends in International Arms Transfers, 2025 (March 2026). Import shares are based on SIPRI trend-indicator values, not financial value. Figures for China, Russia, Ukraine and Saudi Arabia are SIPRI estimates.

[1] Unless otherwise stated, all figures in this report are expressed in Australian Dollars (AUD) and Indian Rupees (INR) using 2025 calendar year average rate of 1 AUD = INR 56.22 (source: exchangerates.org.uk)

Further, and critically, cooperation based on natively Indian and Australian Intellectual Property (IP) avoids the reach of the United States' (US) International Traffic in Arms Regulations (ITAR) restrictions, giving bilateral products the freedom of export that US-derived systems cannot enjoy.

The market opportunity underpinning this logic is substantial. India's cumulative capital procurement under the Ministry of Defence (MoD) over the next decade is projected at INR 31.43 lakh crore / AUD 559bn;² Australia's Integrated Investment Program (IIP) allocates AUD 425 bn / INR 23.89 lakh crore³ over the same period. Even a small slice of this combined AUD 984 bn / INR 55.32 lakh crore market, captured through joint ventures, component supply, co-development, or direct sales, would be commercially material for firms on both sides. Importantly, India's Make in India procurement framework, even in its highest-priority category, DAP 2026 as drafted would still permit up to 40 per cent foreign content by value, meaning Australian firms are not locked out; they need to operate through the right structures.



Our analysis identifies concrete, near-term matches between verified Indian procurement requirements and established Australian capabilities. For example, the Indian Army's Acceptance of Necessity (AoN)⁴ for low-level, lightweight Active Electronically Scanned Array

[2] Authors' estimate. The FY2026-27 capital outlay for the defence services (INR 2,19,306 crore) compounded over ten years at 7.8 per cent. India publishes no forward capital plan, so this is an illustrative projection, not a committed pipeline comparable to Australia's IIP.

[3] "2026 Integrated Investment Program Overview." Department of Defence (Australia), Apr. 2026, [www.defence.gov.au/sites/default/files/2026-04/2026%20IIP%20Overview%20factsheet%20A4_WEB%20\(1\).pdf](http://www.defence.gov.au/sites/default/files/2026-04/2026%20IIP%20Overview%20factsheet%20A4_WEB%20(1).pdf).

[4] For India, an AoN reflects the MoD's formal in-principle approval that a proposed procurement is needed and may proceed into the acquisition process. AoN are in advance of formal RFI/RFP and so provide notice for companies to begin preparing potential bids.

(AESA) radars (December 2025) aligns directly with CEA Technologies' field-proven systems currently in Australian Defence Force (ADF) service. Likewise, the MoD's Request for Information (RFI) for integrated counter-drone detection and interdiction (February 2026) is addressable by EOS and DroneShield, both of whose products are combat-proven in Ukraine. In turn, Australia's Sovereign Defence Industrial Priority (SDIP) for guided weapons manufacturing can be directly supported by India's energetics and precision forging industries, with proven international-grade suppliers such as Solar Industries, Munitions India Limited, and Bharat Forge that can supply materials and technology to support the cost-effective achievement of domestic aims.

The short-term opportunity is substantial. Through a public release on 1st April 2026, the Ministry said that in FY2025-26, it has accorded AoNs for 109 proposals amounting Rs 6.81 Lakh crore (AUD 121.1bn), compared to 56 proposals worth Rs. 1.76 Lakh Crore (AUD 31.3bn) approved in FY 2024-25, and that capital procurement contracts had been signed for 503 proposals worth about Rs 2.28 lakh crore (~AUD 40.6 bn), both described as the highest in any financial year to date.⁵

India approved four times as much new procurement last year as the year before

Acceptances of Necessity granted by the Ministry of Defence, the first formal step in an Indian acquisition.



And in the same year

503	INR 2.28 lakh crore	100%
capital procurement contracts signed	signed contract value AUD 40.6bn	of the INR 1.86 lakh crore capital budget utilised

Source: Press Information Bureau, Government of India, 1 April 2026. An Acceptance of Necessity is an in-principle approval, not a contract, so these figures reflect intended rather than committed spending. AUD at the report's rate of 1 AUD = INR 56.22.

Yet more opportunities exist in the medium term. By cross-referencing India's Technology Perspective and Capability Roadmap (TPCR) 2025 with Australia's 2026 Defence Innovation, Science and Technology Strategy (IS&T), six priority areas are identified in which both nations have complementary strengths and shared development interests.⁶

[5] "Ministry of Defence Achieves Full Utilization of Capital Budget of Rs. 1.86 Lakh Crore for FY 2025-26." Press Information Bureau, Government of India, 1 Apr. 2026, www.pib.gov.in/PressReleasePage.aspx?PRID=2247977.

[6] Long-range fires and hypersonic weapons, high-energy lasers, autonomous systems, quantum technologies, artificial intelligence, and undersea warfare. See Table 4 – Section C.

The challenges are equally real and must be stated plainly. Competing indigenisation mandates – India's Make in India (MII) and Australia's SDIP – create structural tensions, as both countries prefer domestic production. Australia's largest defence firms are subsidiaries of US and European Original Equipment Manufacturers (OEMs), which limits their ability to act as independent counterparties. Australian supply chains are deeply entrenched in transatlantic relationships, where practices, IP regimes, and security accreditations are well understood; India offers none of these by default. Procurement timelines are misaligned: Australia plans major procurements years or even decades in advance, while India frequently procures on short notice. India's lack of a formal industrial security programme equivalent to Australia's Defence Industry Security Program (DISP) creates IP-sharing barriers that are difficult to navigate. And frankly, a trust deficit exists in Australia, rooted in concerns about IP protection, payment reliability, and the political atmospherics of the past decade, that no ministerial communiqué alone will resolve.

Why act now rather than when conditions are more mature? Because maturity must be built, and building it takes time. The current warm bilateral moment is an asset that will not last indefinitely. More urgently, the strategic environment is deteriorating: the conflicts in Ukraine and Iran have exposed the fragility of single-source supply chains and drawn down Western weapons stocks; a potential Chinese attempt to seize Taiwan could simultaneously further deplete those stocks and threaten established supply routes for both Canberra and New Delhi. The moment to diversify is before the crisis, not during it.

The immediate agenda is therefore practical. The government-to-government (G2G) steps required are, in the main, modest in cost. We identify seven initiatives, ranging from zero-cost policy measures to the establishment of a joint Australia–India Defence Technology Development Fund (AIDeT-DF), capitalised at INR 225 crore / AUD 40m, equally shared, to provide the incentive and co-development infrastructure that both sides lack. Mutual recognition of security clearances, a Canberra-backed market access assurance for Indian firms, and a New Delhi-backed IP insurance facility for Australian firms would together address the bilateral trust deficit at its structural roots. Publishing unclassified procurement roadmaps on both sides would allow industry to plan rather than react. And underpinning all of this, a persistent programme of industry exchanges and mutual literacy-building costing as little as AUD 250,000–300,000 per year (AUD 125,000–150,000 per government), is the single most cost-effective step available, the foundation on which every larger initiative depends, and the natural place to start.

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INTRODUCTION

The India-Australia defence relationship is on a discernible upward trajectory. Both sides have demonstrated their intent for expanded military cooperation, including in exercises and information sharing. Further, in the joint statement from the second Australia–India Defence Ministers' Dialogue on 1 June 2026, the two ministers again underscored the strategic importance of defence industrial collaboration and agreed to begin developing a Memorandum of Understanding on the Provision of Defence Articles and Defence Services as the next step in deepening industrial ties, building on the inaugural dialogue of October 2025.⁷ The inaugural Defence Industry Business Roundtable, held in Sydney on 10 October 2025, could be a catalyst for co-production and innovation. Indicating openness to joint innovation in defence, both sides support mechanisms, such as a potential "Defence Innovation Bridge,"⁸ to sustain dialogue, with an emphasis on practical outcomes in emerging technologies, supply chain resilience, and MRO (Maintenance, Repair, and Overhaul) for naval assets. This intent is embedded in the broader bilateral defence relationship, which was elevated to a Comprehensive Strategic Partnership in 2020 and marked its sixth anniversary in 2026.

Yet industry-to-industry cooperation between the two nations remains weak at the ground level, constrained by structural, policy, and market knowledge challenges that must be overcome before it can realise the potential expressed in government pronouncements. Further, from a business perspective, any cooperation is driven by an assessment of the balance between current investment and future profits: in short, will an Indian firm cooperating with Australia (or vice versa) make greater returns for the company than investing its time elsewhere, such as known local partners or other overseas markets? What incentives are there for industry on each side to preferentially work with the other? Finally, what can Canberra and New Delhi do to support meeting their policy aspirations, and why should that work start now?

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Industry-to-industry cooperation between the two nations remains weak at the ground level, constrained by structural, policy, and market knowledge challenges that must be overcome before it can realise the potential expressed in government pronouncements.

[7] “Joint Statement on the Second India–Australia Defence Ministers’ Dialogue.” Minister for Defence, Australian Government, 1 June 2026, www.minister.defence.gov.au/statements/2026-06-01/joint-statement-second-india-australia-defence-ministers-dialogue.

[8] “Australia Calls India a ‘Trusted Partner’, Stresses Need to Establish a Defence Innovation Bridge.” The Economic Times, 13 Oct. 2025.

In this report, we examine these questions in greater detail. We intend to highlight issues that need to be addressed and propose potential resolutions. Through our analysis, we aim to inform the policy ecosystem in both countries so that the currently visible and shared awareness of opportunities translates into substantive industrial engagement. We also present a clear, albeit modest, rationale for defence-industrial cooperation, informed not only by broader strategic and geopolitical imperatives but also by incentives for industry on both sides.

We believe articulating these issues and acting upon them is important, as expanded defence industry cooperation between India and Australia is not only feasible but also prudent (for governments) and profitable (for industry). Yet for both sectors, work to lay the foundations for expanded cooperation must begin now to achieve the benefits of better hedging for the future, reduce strategic risk, and enable business growth.

Action today to realise rewards tomorrow is increasingly important for Canberra and New Delhi, as both face an increasingly uncertain international environment, with nations responding by onshoring and friendshoring defence industries and supply lines, diversifying vendors to mitigate risk, and expanding cooperation with like-minded powers. With their shared presence in the Indian Ocean (let alone the Indo-Pacific), a history of cooperation and coordination (from the Commonwealth to the Quad), and expanding industrial bases, there is evident potential for India and Australia to provide one another with defence-industrial goods and services. This is particularly so since their physical markets are separated only by a few thousand kilometres of uncontested ocean (as opposed to potential supply lines to Europe or Northeast Asia).



India's Defence Minister Rajnath Singh and Australia's Assistant Minister for Defence Peter Khalil co-chair the maiden India-Australia Defence Industry Business Roundtable in Sydney on 10 October 2025. (Rajnath Singh, Facebook)

In turn, for companies, there are clear, genuine short-, medium-, and long-term bilateral opportunities that make business sense and will also support future multilateral exports.

Finally, four administrative points provide context for our work.

Firstly, the report is organised in four sections:

1. a snapshot of Australia and India's defence industry and policy landscape,
2. a discussion of the potential opportunities,
3. a review of the challenges,
4. an analysis of what needs to be done to achieve greater cooperation – and why this needs doing now.

Secondly, we consciously limit our analysis to cooperation between natively Indian and Australian-owned IP and industrial capabilities; we do not examine opportunities involving overtly third-party systems, licensed foreign technology, or platforms subject to foreign OEM supply chains.⁹ While this decision enables and simplifies considering and enabling industrial cooperation between New Delhi and Canberra, it also excludes consideration of third-party systems operated by both nations, for example, the P-8 maritime patrol aircraft and MH-60R helicopters. While such equipment is a potential area for collaboration, it is best considered separately from the already complex bilateral India-Australia relationship.

“

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Thirdly, we eschew comparative benchmarking against other mature defence partnerships. Examining how India successfully integrated Israeli technology into its public sector, or how Australia is navigating its industrial tiering with Japan, could have provided structural templates for overcoming regulatory misalignment; however, these comparative models fall outside our current purview. Further, bilateral relationships are deeply idiosyncratic, reflecting the legal, historical, and industrial environments of the nations in question. One size does not fit all, and taking lessons from one relationship and confidently applying them to another is fraught with misplaced assumptions.

[9] The two exceptions are Thales Australia's Bushmaster and Anduril Australia's Ghost Shark uncrewed underwater vehicle, French- and American-owned respectively, though much of the IP and manufacture is Australian. Defence supply chain complexity means no system can be confirmed wholly free of foreign-controlled elements; we have focused on native Australian and Indian systems as far as possible.

Fourthly, we deliberately define "industrial engagement" in hardware-centric terms and focus on new industrial opportunities, such as acquisitions, upgrades, or R&D efforts, rather than on sustaining existing equipment. This largely excludes the services sector – specifically joint logistics, simulation training, and maintenance support contracts – which have historically served as low-risk, high-trust entry points for growing defence partnerships. This decision was made for several reasons. We prioritise the "hard" challenges of manufacturing alignment and sovereign capability gaps, as we assess that they offer the greatest potential for disproportionate payoffs for both nations in policy outcomes, capability improvement, and industry growth. We leave the softer yet potentially faster avenues of service-based cooperation for future examination, noting their capacity to help build the initial industrial familiarity required for complex co-development. Lastly, most sustainment efforts already have entrenched supply chains and therefore do not offer the same potential for cooperation as new projects, and enhanced collaboration is what we aim to achieve.

SECTION I – INDUSTRY AND POLICY SNAPSHOT

India's Defence Market: Size, Equipment, Key Suppliers

India is one of the world's biggest defence markets. Its FY 2026-27 defence budget stands at INR 7,84,678 crore / AUD 139.6bn,¹⁰ the highest ever and a 15.19% increase¹¹ over the previous year's budget estimate. SIPRI ranks it as the world's fifth-largest military spender, at USD 92.1 billion in 2025.¹² Of the FY2026-27 budget, the capital outlay for the defence forces is INR 2,19,306 crore / AUD 39.0 bn, up nearly 22% on the year; of which INR 1,85,467.1 crore / AUD 33.0 bn is the capital acquisition or modernisation budget, and the remaining INR 33,838.9 crore / AUD 6.0 bn covers other capital expenditure, including R&D and infrastructure.¹³ About 75% of the capital acquisition budget, INR 1,39,100.3 crore / AUD 24.7 bn, is reserved for procurement from the domestic industry. While India does not publish a formal plan of its longer-term spending, the defence capital outlay has grown at a compound annual rate of approximately 7.8% (authors' calculation from successive budget estimates for capital outlay on defence services) over the past decade; at this rate, from the FY 2026-27 base of INR 2,19,306 crore / AUD 39.0 bn, this would indicate a cumulative capital spend over the next decade of some INR 31,43,000 crore / AUD 559bn.

Where India's defence money actually goes

Of a record FY 2026-27 budget, under a third reaches the capital outlay and three-quarters of the modernisation budget is ring-fenced for domestic suppliers.



Figures: Union Budget 2026-27, Ministry of Defence. AUD converted at the report's rate of 1 AUD = INR 56.22.

[10] "Defence in Union Budget 2026–27." Press Information Bureau, Government of India, 3 Feb. 2026, www.pib.gov.in/PressReleasePage.aspx?PRID=2222601.

[11] This is an inflated one-year jump tied partly to Operation Sindoor emergency procurement, but still notable.

[12] "Trends in World Military Expenditure, 2025." Stockholm International Peace Research Institute, Apr. 2026, www.sipri.org/publications/2026/sipri-fact-sheets/trends-world-military-expenditure-2025.

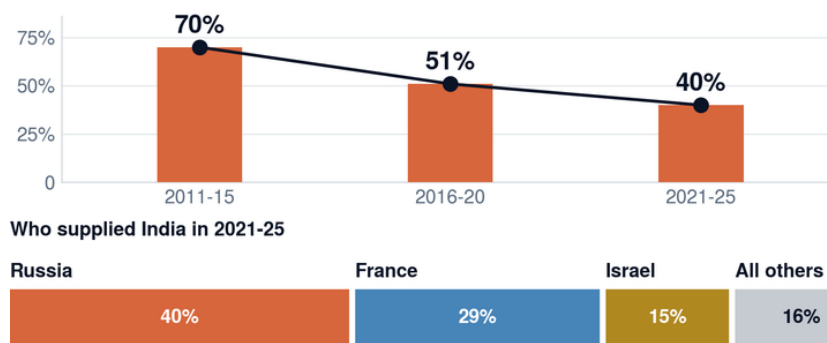
[13] "Ministry of Defence 2026–27 Budget Estimates: An Analysis." Manohar Parrikar Institute for Defence Studies and Analyses, 13 Feb. 2026, idsa.in/publisher/issuebrief/ministry-of-defence-2026-27-budget-estimates-an-analysis.

These funds support the needs of the Indian Armed Forces, which operate the full range of modern Army, Air Force, and Navy equipment - from small arms and tanks, through fighter jets and missiles, to ships and submarines. While the Indian Armed Forces' force structure was once primarily comprised of equipment from the Soviet Union (and then Russia), it now operates increasing quantities of European and US arms, together with domestically developed systems. This reflects a focus by New Delhi on both diversifying its sources of weapons and, especially, on developing a broad domestic defence sector capable of producing all types of modern arms.

To meet its weapons requirements, India relies on both imported and, increasingly, domestically produced arms. Over the period 2021 to 2025, it was the world's second-largest arms importer, accounting for 8.2 per cent of global arms imports, behind only Ukraine at 9.7 per cent, even as its own imports fell by about 4 per cent from the previous five-year period as indigenous production expanded.¹⁴ Russia has remained its largest single supplier, but Moscow's share of India's arms imports has declined sharply, from 70 per cent in 2011-15 to 51 per cent in 2016-20 and 40 per cent in 2021-25. France is now the second-largest supplier at 29 per cent, and Israel third at 15 per cent, with the United States and others making up the remainder. Imports remain concentrated in complex or advanced systems that New Delhi cannot yet build at home. The same shift shows up in the budget. The share reserved for the domestic industry has risen to about 75 per cent of the modernisation budget, reaching INR 1,39,100.3 crore / AUD 24.7bn in FY 2026-27, while the realised domestic share of capital acquisition had already climbed to roughly 65 per cent by 2021-22.¹⁵ Even so, that domestic output still frequently incorporates foreign components or amounts to the licensed production of complex overseas designs, such as Russia's Su-30MKI fighter built by Hindustan Aeronautics Limited (HAL).

Russia still supplies most of India's arms imports, but the share is falling fast

Russia's share of Indian arms imports, by five-year window.



Source: SIPRI, Trends in International Arms Transfers, 2025 (March 2026). SIPRI publishes only the top three suppliers for each importer, so the balance for 2021-25 cannot be itemised; it includes the United States. Shares are based on trend-indicator values, not financial value.

[14] "Trends in International Arms Transfers, 2025." Stockholm International Peace Research Institute, Mar. 2026, www.sipri.org/publications/2026/sipri-fact-sheets/trends-international-arms-transfers-2025.

[15] "Ministry of Defence 2026-27 Budget Estimates: An Analysis." Manohar Parrikar Institute for Defence Studies and Analyses, 13 February 2026, idsa.in/publisher/issuebrief/ministry-of-defence-2026-27-budget-estimates-an-analysis. "MoD Utilises 65.50 per cent of Capital Acquisition Budget on Domestic Procurement in FY 2021-22." Press Information Bureau, Government of India, 20 Apr. 2022, pib.gov.in/PressReleasePage.aspx?PRID=1818229.

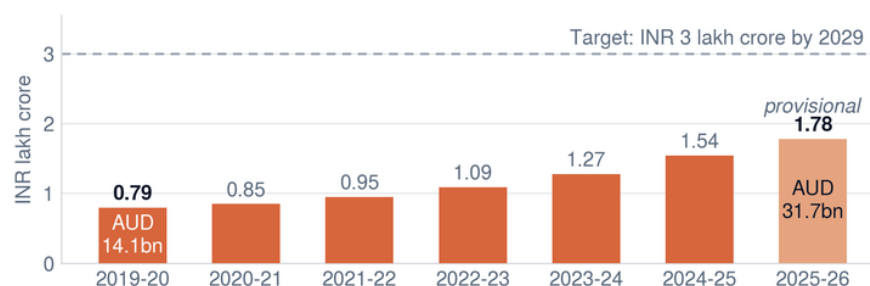
India's Defence Industry and Exports: Increasingly Self-reliant but Not (Yet) Globally Competitive

India's defence industry has benefited over the past decade from a strong policy focus in New Delhi on self-reliance, broadening the range of equipment made locally, and expanding exports. The result has been a substantial expansion of the sector alongside a falling reliance on foreign suppliers.

The number of defence Micro, Small and Medium Enterprises (MSMEs)¹⁶ has grown from around 6,000 to roughly 17,000 between 2015 and 2026.¹⁷ Domestic defence production reached an all-time high of about INR 1.78 lakh crore / AUD 31.7bn in FY 2025-26, up 15.6 per cent on the previous year and 110 per cent since FY 2020-21, with Defence Public Sector Undertakings (DPSUs) and other PSUs contributing about 76 per cent and the private sector 24 per cent, the latter up from 22 per cent a year earlier and worth a record INR 42,000 crore / AUD 7.5bn.¹⁸ In 2024-25, the MoD signed 193 contracts worth INR 2,09,050 crore / AUD 37.2bn, then the highest annual total on record, of which 177 contracts worth INR 1,68,922 crore / AUD 30.0bn, some 81 per cent of the value, went to the domestic industry.¹⁹ The shift over time is stark: as recently as 2018, India still met the majority of its needs through imports, whereas roughly four-fifths of procurement spending now goes to Indian firms.

Defence production has more than doubled in six years

Value of India's annual defence production, INR lakh crore, against the government's INR 3 lakh crore target for 2029.



Source: Press Information Bureau, Government of India, annual defence production releases. FY 2025-26 is provisional: PIB has revised each of the previous three years upward after first publication.

[16] India's definition of MSME is a composite criterion reflecting firms whose investment in plant and machinery, and overall turnover, fall under: INR2.5 crore and INR10 crore (AUD0.44m and AUD1.8m) for micro enterprises; INR25 crore and INR100 crore (AUD4.4m and AUD17.8m) for small enterprises, and INR125 crore and INR500 crore (AUD22.2m and AUD88.9m) for medium enterprises).

"Role of MSME in Defence Sector." Press Information Bureau, Government of India, 2015

<https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=132734@=48&lang=2>

[17] "Make in India Powers Defence Growth." Press Information Bureau, Government of India, 2025, [pib.gov.in/PressReleasePage.aspx?PRID=2114546](https://www.pib.gov.in/PressReleasePage.aspx?PRID=2114546).

[18] "India's Annual Defence Production Surges to All-Time High of Rs 1.78 Lakh Crore in FY 2025-26." Press Information Bureau, Government of India, 17 June 2026, [pib.gov.in](https://www.pib.gov.in).

[19] "Defence Atmanirbharta: Record Production and Exports." Press Information Bureau, Government of India, 20 Nov. 2025, <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2191937®=48&lang=2>.

Today, India's domestic sector can manufacture most modern military equipment. Its strengths are clearest in naval surface vessels, such as the indigenous Visakhapatnam-class (Project 15B) destroyers and in missiles. The latter include the Defence Research and Development Organisation (DRDO)-developed Agni ballistic missile series, the Akash air defence system and the Pinaka rocket system.²⁰ They now extend to combat aircraft and helicopters as well. In September 2025, the MoD signed an INR 62,370 crore / AUD 11.1bn contract with HAL for 97 additional Tejas Mk1A light combat aircraft, bringing the Indian Armed Forces' total Tejas Mk1A commitment to 180 across two contracts.²¹ India's first indigenously designed combat helicopter, the Prachand, is also on order in bulk, with an INR 62,700 crore / AUD 11.2bn contract for 156 placed in March 2025, though deliveries are not due to begin until 2027-28.²² One caveat runs through the aircraft programmes: the airframes and a growing share of onboard systems are Indian, but the engines are not, with the Tejas relying on the American GE F404 and the Prachand on the HAL-Safran Shakti, a reminder that jet propulsion remains India's largest indigenisation gap. The most complex complete systems are still bought abroad, as with the 31 MQ-9B drones ordered from the United States.

The industry's structure today is defined by 16 DPSUs, being very substantial government-owned enterprises,²³ numerous large non-government companies,²⁴ and some 17,000 MSMEs. Of these firms, the DPSUs and selected large private companies are considered system-level OEM or Prime Contractors ("Primes") in the Australian sense. No DPSUs and few, if any, private companies are subsidiaries of foreign firms – a strong contrast to Australia.

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Indian industry's structure today is defined by 16 substantial government-owned DPSUs, numerous large private companies, and some 17,000 MSMEs. Of these, the DPSUs and selected large private companies are considered system-level OEM or "Primes" in the Australian sense. No DPSUs and few, if any, private companies are subsidiaries of foreign firms – a strong contrast to Australia.

[20] The DRDO is India's national defence R&D organisation.

[21] "Defence Ministry Signs Deal with HAL for Procurement of 97 Tejas Jets." News on AIR, Prasar Bharati, 25 Sept. 2025, newsonair.gov.in/defence-ministry-boosts-aatmanirbharta-with-major-lca-deal.

[22] "MoD Inks Two Contracts Worth Rs 62,700 Crore with HAL for Supply of 156 LCH, Prachand to the Armed Forces." Press Information Bureau, Government of India, 28 Mar. 2025, pib.gov.in/PressReleaseSelfFramePage.aspx?PRID=2116411.

[23] Well known DPSU include HAL, with over 20,000 employees.

[24] These can be publicly listed or privately held. Examples include Adani Defence and Aerospace, and Tata Advanced Systems.

Of note, New Delhi's focus on expanding the defence industry and stimulating demand and export potential has led to a far more dynamic defence sector today than in the past. Areas once dominated by the DPSU now host thriving, competitive private companies, notably MSMEs, supported by eased regulations, low-cost (by global standards) skilled labour, competitive manufacturing, and relaxed foreign investment regulations that facilitate capital and technology flows.

The industry also has a large personnel footprint, with our research indicating 270,000-600,000 being a plausible range.²⁵ While the defence sector does suffer from skilled workforce shortages, it is also true that India generates an enormous supply of trades and professional personnel, with, for example, the nation graduating some 1.5 million engineers per year²⁶ and serving as a talent hub for major international defence firms such as RTX (formerly Raytheon).²⁷

Regarding exports, New Delhi's focus on self-reliance has produced striking growth, though the difficulty of developing world-class systems means India is not yet a major exporter. Over the past decade, overseas sales have risen roughly 56-fold, from around INR 686 crore in 2013-14 to a record INR 38,424 crore / AUD 6.8bn in FY 2025-26, a 62.66 per cent jump on the previous year.²⁸ The public-private balance also shifted: DPSUs supplied 54.84 per cent of the total (INR 21,071 crore / AUD 3.7bn), up 151 per cent, overtaking the private sector at 45.16 per cent (INR 17,353 crore / AUD 3.1bn), a reversal of the prior year, when private firms led. The government's target is INR 50,000 crore / AUD 8.9bn by 2029.²⁹ Even so, India's industry is not yet a net technology exporter at the system level, and, by SIPRI's measure, it does not rank among the world's top 25 arms exporters, since the bulk of its foreign sales are components, sub-assemblies, and ammunition rather than complete platforms.³⁰ The main exceptions are a handful of indigenous systems now sold abroad, notably the Akash air defence system, Pinaka rocket launchers and ATAGS artillery, largely to Armenia,³¹ alongside the co-developed BrahMos cruise missile, bought by the Philippines in 2022 and since followed by a contract with Vietnam in 2026, with Indonesia in the final stages of negotiation.³²

[25] Our estimate is based on some 80,000 personnel employed in DPSU, 30,000 in India's Defence Research Development Organisation, and averaging MSME headcount at 10 and 30 employees.

[26] "Why Are So Many of India's 1.5 Million Fresh Engineers Unemployable?" Forbes India, 13 Nov. 2025.

[27] "RTX Aims to Boost India Headcount by 14% in 3 Years, Execs Say." Reuters, 19 Dec. 2024.

[28] "India's Annual Defence Production Surges to All-Time High of Rs 1.78 Lakh Crore in FY 2025-26." Press Information Bureau, Government of India, 17 June 2026, pib.gov.in.

[29] "Make in India Powers Defence Growth." Press Information Bureau, Government of India, 2025, pib.gov.in/PressReleaseSelfFramePage.aspx?PRID=2114546.

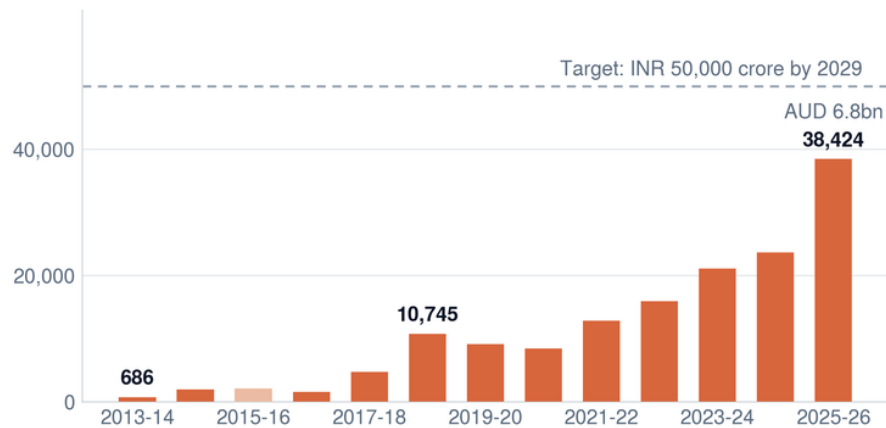
[30] "Ministry of Defence 2026-27 Budget Estimates: An Analysis." Manohar Parrikar Institute for Defence Studies and Analyses, 13 February 2026, idsa.in/publisher/issuebrief/ministry-of-defence-2026-27-budget-estimates-an-analysis.

[31] "Diversifying Armenia's Defence: Shifting Alliances and Military Modernisation." European Security & Defence, May 2025, euro-sd.com/2025/05/articles/44516/diversifying-armenias-defence-shifting-alliances-and-military-modernisation/.

[32] "India Signs BrahMos Deal with Vietnam, Indonesia Pact in Final Stage." Business Standard, 30 May 2026, business-standard.com/external-affairs-defence-security/news/brahmos-deal-with-vietnam-signed-indonesia-pact-in-final-stage-126053001158_1.html.

Exports up 56-fold, and the public sector has retaken the lead

India's annual defence exports, INR crore.



Who is doing the exporting

Share of exports by value. In FY 2025-26 public-sector undertakings overtook private industry for the first time, on a 151% jump.



Source: Press Information Bureau, Government of India, annual defence export releases. The FY 2015-16 bar (lighter) comes from a Lok Sabha Standing Committee report rather than a PIB release.

Industry Policy Affecting International Cooperation

Two key areas, among others, affect international defence-industrial cooperation among all nations: preferences for local production and the potential for foreign investment. If a country strongly favours its own defence sector, this makes overseas sales into it difficult. In turn, if a nation is sceptical of foreign ownership, this again reduces the incentive for overseas firms to share technology or deploy capital.

For India, these issues are addressed through the MII program and New Delhi's Foreign Direct Investment (FDI) regulations, which allow overseas investors to take major equity stakes in Indian companies. In summary, MII strongly favours local industry but still provides substantial avenues for overseas involvement at the component-supply level, while FDI allows extensive and expedited foreign ownership of local firms that secure lucrative government contracts.

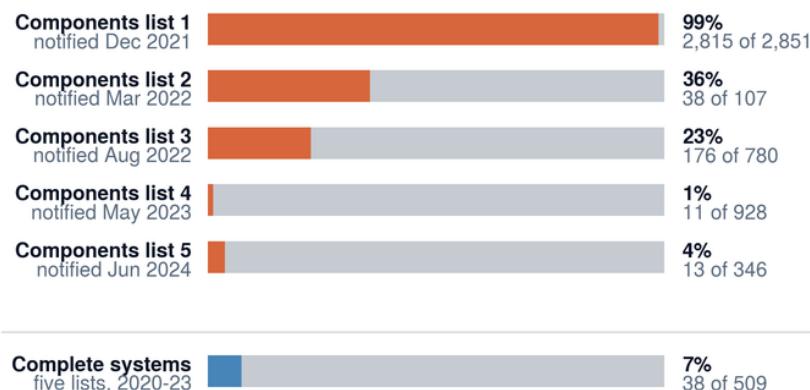
MIl was announced in 2014 by Prime Minister Modi to help develop India's industrial capacity and self-reliance. For defence equipment, it aims to shift New Delhi from being a buyer of overseas systems to a purchaser of systems developed and manufactured in India. In terms of its principal effects, MII is formalised in the Defence Acquisition Procedure (DAP) 2020 policy, which governs how the Indian Armed Forces and MoD plan, tender, evaluate, and contract all

capital defence acquisitions. The DAP directs the MoD to prioritise procuring systems with the highest degree of Indigenous Content (IC), with weapons graded into the five categories shown in Table 1. These range from equipment with decreasing degrees of Indian design and manufacture (Categories 1-4) to equipment primarily sourced overseas (Category 5). MII prioritisation means that only if equipment cannot be procured in Category 1 will Category 2 be considered, and so on. To implement this, some categories are only tendered to the Indian market, as shown in Table 1.

DAP also allows whole systems to be banned from import, requiring them to be procured only under Categories 1–4. Five Positive Indigenisation Lists (PILs) issued by the Department of Military Affairs cover 509 complex military systems, including sensors, weapons, and ammunition, that must be procured locally.³³ A separate list of banned imports at the subsystem and component level, with 5,012 items, applies only to procurements by DPSUs. Cumulatively, more than 39,000 items had been offered for indigenisation on the MoD's SRIJAN portal as of 31 March 2025, of which more than 14,000 had been indigenised;³⁴ by May 2026 the indigenised total had passed 15,700, including 3,204 items drawn from the Positive Indigenisation Lists.³⁵ Progress is heavily concentrated in components rather than platforms: of the 509 complete systems on the five Department of Military Affairs lists, 38 had been indigenised as at 31 March 2025, and within the 5,012-item Department of Defence Production lists, 2,815 of the 3,053 completions came from the first list alone.

The indigenisation record is components, not platforms

Share of each Positive Indigenisation List actually indigenised, as at 31 March 2025. Almost every completion comes from the first components list.



Source: Standing Committee on Defence, action taken report on the Eighth Report, 18th Lok Sabha, presented 9 December 2025, quoting the Ministry of Defence. Components lists are notified by the Department of Defence Production, complete systems by the Department of Military Affairs.

[33] "Notification of the 5th Positive Indigenisation List." Department of Defence Production, Ministry of Defence, Government of India, July 2024, www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2033571.

[34] "The Standing Committee on Defence, action taken report on the Eighth Report, 18th Lok Sabha, presented 9 December 2025", https://eparlib.sansad.in/bitstream/123456789/3009251/1/18_Defence_16.pdf

[35] "The Defence Decade", Press Information Bureau, Government of India, 17 June 2026, <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2026/jun/doc2026617895601.pdf>

Finally, DAP provides financial support for the design and development of defence equipment (under three 'Make' categories), acquisition pathways once development is completed, and access to innovation funding through the Innovations for Defence Excellence (iDEX) and Technology Development Fund (TDF) programs. These details are summarised in Table 2.

Importantly, a substantial share of the value of equipment procured even under the prioritised indigenous categories can still be sourced from abroad, including materials, components and assemblies, services, and licences and other fees. The permitted proportion differs by category and is set out in Tables 1 and 2.

New Delhi welcomes FDI into local companies³⁶ to support the development of the defence sector. FDI of up to 49% is automatically permitted in firms with existing licences to manufacture defence equipment, and up to 74% in firms seeking new licences; also, up to 100% is permitted (with govt approval) in companies of all types, with FDI limits shown in Tables 1 and 2.

Importantly, a new draft DAP 2026 was released by MoD for stakeholder consultation in February 2026 and is expected to replace DAP 2020 sometime in 2026. The draft signals a significant doctrinal shift, which the MoD itself characterises as a move from 'Made in India' to 'Owned by India'.³⁷ It also reduces the previous five categories to four.

Most notably, the policy moves away from Transfer of Technology (ToT) arrangements towards Indian IP ownership (for the most-favoured Category 1 procurements), requiring that source codes, critical design data, and upgrade and operational rights be held by genuinely Indian entities. The same considerations apply to design and development (Make-I/II) and innovation-funded projects (iDEX and TDF). iDEX, previously a startup-focused innovation scheme, is now elevated to a mainstream acquisition pathway. The draft has also introduced new 'Procurement Protocols' for fast-evolving technologies, including AI, drones, and directed energy weapons, and has formalised Long-Term Bulk Acquisition (LTBA) for complex platforms, with multi-tranche procurement and built-in progressive indigenisation. Further, 'Exportability' has been added as a desirable Qualitative Requirement for new platform development, consistent with the government's export target of INR 50,000 crore / AUD 8.9bn by 2029.³⁸ Finally, the DAP tightens FDI limits, with a maximum of 49% foreign ownership for Category 1, Make I-II, iDEX, and TDF-funded projects.

Most significantly for international partners, the shift under Category 1 from ToT to co-development with IP ownership means foreign OEMs are expected to move beyond licensing technology to an Indian manufacturer and towards engaging Indian firms as development partners, sharing design authority, source codes and upgrade rights. Combined with the tightened vendor ownership rules (49% FDI cap for the highest-priority categories), this raises

[36] Note the information listed in this section does not generally apply to DPSU.

[37] "DAP 2026 Proposes Transformative Leap in India's Defence Procurement Framework." Press Information Bureau, Ministry of Defence, Government of India, 10 Feb. 2026, www.pib.gov.in/PressReleasePage.aspx?PRID=2227775.

[38] "Inviting Comments on the Draft Defence Acquisition Procedure (DAP) 2026." Press Information Bureau, Ministry of Defence, Government of India, 10 Feb. 2026, www.pib.gov.in/PressReleasePage.aspx?PRID=2226097.

the bar for market entry but also creates a more durable and equitable basis for long-term industrial partnerships for those willing to commit.

While initially planned to enter into force in April 2026, the new DAP remains in draft form as of 3rd August 2026, suggesting that several of the most demanding provisions may yet be diluted or phased in. However, for completeness, we have added the various proposed draft provisions to Tables 1 and 2.

Make in India restricts foreign firms. It does not lock them out

Two rules decide whether an Australian firm can do business in India: how much of a contract may be sourced abroad, and how much of an Indian partner a foreign firm may own.

How much you can supply

Maximum share of contract value that may be sourced from abroad



How much of the partner you can own

Maximum foreign ownership of an Indian defence vendor



Sources: Defence Acquisition Procedure 2020; draft Defence Acquisition Procedure 2026 (released for consultation February 2026, not yet in force); Consolidated FDI Policy, Government of India. Category numbering differs between the two procedures: DAP 2020 has five categories, draft DAP 2026 has four.

As an additional layer, India's own export controls run through the Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) list, the national control list for dual-use goods, munitions and sensitive technologies.³⁹ It is administered by the Directorate General of Foreign Trade, with the Department of Defence Production acting as the licensing authority for military items, and is harmonised with the major multilateral export control regimes of which India is a member, the Missile Technology Control Regime, the Wassenaar Arrangement and the Australia Group, placing it within broadly the same international export-control architecture as Australia.

For Australian and other foreign defence companies, SCOMET provides a familiar, rules-based export control framework aligned with the regimes mentioned above. This means that many compliance, classification, and licensing processes are consistent with international best practices, reducing regulatory uncertainty when exporting controlled items or pursuing

[39] "India's Strategic Trade Controls and SCOMET List." Ministry of External Affairs, Government of India, mea.gov.in/India-Strategic-Trade-Controls-and-SCOMET-List.htm.

industrial partnerships in India. While export licences and national restrictions still apply, the shared export-control architecture makes it easier for companies to assess compliance requirements, structure joint development projects and manage cross-border supply chains with greater confidence.

The list is revised periodically to track those regimes, most recently in September 2025,⁴⁰ when a new category was introduced for emerging technologies, including advanced semiconductors and quantum systems.

Table 1: DAP 2020-26 Prioritised Procurement Categories

How India grades defence procurement by indigenous content, and what each category permits a foreign firm to supply and to own.

Category, Name & Description	DAP 2020 IC Requirement	DAP 2026 IC Requirement	FDI Limit
1. Buy (Indian-IDDMM) — Equipment indigenously designed, developed and manufactured in India. Tendered to Indian market only.	≥50% IC (indigenous design required)	≥30% IC at Prototype/EUT trials stage; ≥60% IC by final stage of contract	49% maximum. Prime vendor must be >50% owned and controlled by resident Indian citizens
2. Buy (Indian) — Equipment manufactured in India from overseas or indigenous designs. Tender to Indian market.	≥50% IC if Indian Design; ≥60% IC if foreign design	N/A – DAP 2020 policy	N/A – see note
3. Buy (Indian) & Manufacture in India — Equipment manufactured in India from overseas or indigenous designs. Tendered to Indian market.	≥50% IC if Indian design; ≥60% IC if foreign design	Nil IC for Buy portion; ≥60% IC for Manufacture portion. Distinction between Indian/foreign design removed.	Up to 74% automatic route; up to 100% government approval route
4. Buy (Global) & Manufacture in India — Outright purchase from overseas followed by indigenous manufacture via subsidiary, JV, or Indian Production Agency with ToT.	Nil IC in Buy portion; ≥50% IC in Manufacture portion	Nil IC for Buy portion; ≥60% IC for Manufacture portion	Up to 74% automatic route; up to 100% government approval route

[40] "Notification No. 31/2025-26: Revision of the SCOMET List." Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India, 23 Sept. 2025, dgft.gov.in.

Table 1: DAP 2020-26 Prioritised Procurement Categories (continued)

Category, Name & Description	DAP 2020 IC Requirement	DAP 2026 IC Requirement	FDI Limit
5. Buy (Global) — Outright purchase from foreign or Indian vendors. No PIL-listed items permitted.	≥30% offset obligation for foreign vendors on contracts >INR 2,000 crore / AUD 355.8m; ≥30% IC for Indian vendors	Nil IC at trials stage; up to 30% IC by final stage of contract. Offset requirement abolished for new contracts.	Up to 74% automatic route; up to 100% government approval route

NOTES ⁴¹

Maximum foreign content by value, derived from the IC floors above. Category 1: up to 50% (40% as drafted for DAP 2026). Category 2: up to 50% where the design is indigenous, otherwise 40%. Categories 3 and 4: no limit on the Buy portion, and up to 50% of the Make portion (40% as drafted for DAP 2026). Category 5: up to 70% for an Indian vendor, and no indigenous content requirement at all for a foreign vendor, who instead carries a 30% offset obligation under DAP 2020 on contracts above INR 2,000 crore. The draft DAP 2026 abolishes offsets for new contracts.

IC is calculated as a percentage of the Calculated Base Contract Price (CBCP) — total contract price less taxes, duties, and applicable exclusions. Foreign Content excluded from IC comprises: direct costs (including freight and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India; direct and indirect costs of all services obtained from non-Indian entities or citizens; and all licence fees, royalties, technical fees and other fees or payments paid out of India. Costs of transportation, insurance, installation, commissioning, training, maintenance contracts, and Buyer Nominated Equipment are excluded from both IC and the Base Contract Price (DAP 2026, Para 27.3).

The DAP 2026 column reflects the draft released for stakeholder consultation on 10 February 2026, which remained unnotified as of August 2026. Its provisions may be diluted, phased in, or changed before it takes effect.

New cross-category rule in draft DAP 2026 (no DAP 2020 equivalent): Minimum 50% of overall IC must be in the form of materials, components, or software manufactured in India (DAP 2026, Para 27.5.4). Relaxation available from AoN According Authority on a case-by-case basis.

DAP 2026 requires that for Category 1 procurements an Indian vendor (as defined under relevant laws) to also be owned (51%) and controlled by Indian citizens. These additional constraints do not apply to Categories 2-4. See DAP 2026 para 17, 18, 23.

Ongoing offset contracts signed under DAP 2020 or earlier continue under the provisions applicable at the time of signing (DAP 2026, Para 36.6).

[41] Defence Acquisition Procedure 2020, Ministry of Defence, Government of India: <https://mod.gov.in/>
Draft Defence Acquisition Procedure 2026, Ministry of Defence, Government of India, released for public consultation 10 February 2026; consultation deadline 3 March 2026: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2226097>
GoI Consolidated FDI Policy (Press Note 4 of 2020), Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, 17 September 2020: https://dipp.gov.in/sites/default/files/pn4-2020_0.PDF

Table 2: Design and Development (Make) and Innovation Categories

The routes by which India funds or accepts industry-led development, and how the draft DAP 2026 changes each one.

Category	Description	DAP 2020	DAP 2026 Changes	FDI Limit
Make-I (Government Funded)	Design and development of major equipment, systems, platforms or upgrades by industry. Up to 70% government funding for prototype development. Post successful development, procurement via Buy (Indian-IDDM).	Govt funding up to 70% of prototype cost; max INR 250 crore / AUD 44.5m per Development Agency	No funding cap or percentage stated in the draft; set by AoN According Authority (Para 18.1.1). 100% govt funding possible for selected priority platforms if approved by AoN authority. iDEX/ TDF projects with further development potential may graduate to Make-I.	49% maximum.
Make-II (Industry Funded)	Design, development, and upgrade of equipment, systems, platforms and sub-systems by industry. Industry self-funded for prototype development. Post successful development, procurement via Buy (Indian-IDDM). Industry can submit suo-moto proposal.	Industry self-funded	Unchanged	49% maximum.
Make-III (Industry Funded)	Import substitution of products supporting existing weapons systems in service. Industry self-funded. Post successful development, procurement via Buy (Indian) & Manufacture in India with ≥60% IC. Industry can submit suo-moto proposal. JV with foreign OEM explicitly permitted.	Industry self-funded	Unchanged	Up to 74% automatic route; up to 100% government approval route JV with foreign OEM explicitly permitted (DAP 2026, Chapter III, Para 4).

Table 2: Design and Development (Make) and Innovation Categories (continued)

Category	Description	DAP 2020	DAP 2026 Changes	FDI Limit
IDEX (Innovations for Defence Excellence)	For startups, MSMEs and individual innovators. Grants via DISC, SPARK, ADITI and other frameworks administered by Defence Innovation Organisation. Post successful development, procurement via Buy (Indian-IDDM).	Startup/ MSME-focused scheme peripheral to mainstream acquisition	Elevated to mainstream acquisition pathway. iDEX projects with further development potential may graduate to Make-I.	49% maximum.
TDF (Technology Development Fund)	Scheme run by DRDO with funding support for MSMEs and startups. Post successful development, procurement via Buy (Indian-IDDM). Para 23 including 23.1 & 23.2 applies.	DRDO-run scheme	TDF projects with further development potential may graduate to Make-I. Otherwise unchanged.	49% maximum.
Strategic Partnership Model (SPM)	Enables private Indian firms to act as system integrators for major platforms, building an industrial ecosystem including MSME supply chains, in partnership with a foreign OEM. Explicit 49% FDI hard cap stated separately in Chapter IX.	Established under DAP 2020	DAC may grant special dispensation on ownership conditions where applicant company provides significant verifiable ToT (Chapter IX, Para 13). Otherwise unchanged.	49% maximum — explicit hard cap stated in Chapter IX, Para 12. No pyramiding of FDI permitted. Indirect foreign investment counted toward the 49% limit.

NOTES

* Categories listed do not indicate priority order. Make-II, Make-III, iDEX, and TDF applicants can self-initiate ("suo-moto") proposals for government consideration.

** Under DAP 2020, Make-I government funding is up to 70% of prototype cost, maximum INR 250 crore / AUD 44.5m per Development Agency (Chapter III). The draft DAP 2026 states no cap and no percentage: support is set by the AoN Accrediting Authority (Para 18.1.1).

AUD conversions at 1 AUD = INR 56.22 (2025 calendar year average).

DAP 2026 requires that for Make I,II, iDEX, TDF and SPM projects that these be delivered by an Indian vendor (as defined under relevant laws) that is also be owned (51%) and controlled by Indian citizens. See DAP 2026 para 18, 23.

Australia's Defence Market: Size, Equipment, Key Suppliers

Australia is also one of the world's largest defence markets. Its Department of Defence (hereafter 'Defence') budget for 2025-26 was AUD 58.98 bn / INR 3,31,627 crore,⁴² keeping it among the world's twenty largest military spenders.⁴³ The 2026 Defence Industry Development Strategy states that in 2024-25, 64 per cent (A\$22.5bn) of total Defence Capability Programs expenditure was spent in Australia: A\$9.2bn on acquisition, being 51 per cent of acquisition spend, and A\$13.3bn on sustainment, being 78 per cent of sustainment spend.⁴⁴ Looking ahead, the 2026 Integrated Investment Program, which sets out forthcoming capability spending, allocates about AUD 425bn / INR 23.89 lakh crore to new systems over the decade to 2035-36, up from the AUD 330bn the earlier 2024 program had committed to 2033-34.⁴⁵

Australia's decade pipeline has been raised by nearly a third

Defence funding in Australian dollars, with the report's rupee equivalents.

Annual budget, 2025-26

Under a third of the budget buys new capability



Integrated Investment Program

The decade pipeline has been raised by nearly a third



Sources: Department of Defence (Australia), 2026 Integrated Investment Program Overview, April 2026; Defence Portfolio Budget Statements 2025-26; Defence Industry Development Strategy 2026 (acquisition split). INR converted at the report's rate of 1 AUD = INR 56.22.

These funds support the needs of the ADF, which, like India, operates the full range of modern Army, Air Force, and Navy equipment.⁴⁶ The ADF's force structure is primarily comprised of US and European equipment, with a handful of domestically developed systems. Unlike India, Australia has not focused on diversifying its sources of supply or on developing a broad local defence sector, although there has been a definite emphasis on domestic production of some foreign designs, local sustainment of weapons systems, and the development of niche, high-value indigenous capabilities.

[42] Department of Defence (Australia). Portfolio Budget Statements 2025-26: Defence Portfolio. Commonwealth of Australia, 2025, defence.gov.au.

[43] "Trends in World Military Expenditure, 2025." Stockholm International Peace Research Institute, Apr. 2026, www.sipri.org/publications/2026/sipri-fact-sheets/trends-world-military-expenditure-2025.

[44] Department of Defence (Australia). 2026 Defence Industry Development Strategy. Commonwealth of Australia, 2 July 2026, defence.gov.au/about/strategic-planning/2026-defence-industry-development-strategy.

[45] Department of Defence (Australia). 2026 Integrated Investment Program Overview. Factsheet, Apr. 2026, defence.gov.au.

[46] A key difference being that India maintains a nuclear deterrent and associated delivery systems.

Australia relies on both imported and domestically produced arms and imports a greater proportion of its equipment than India does, reflecting its lower emphasis on local systems. Over the five years to 2025, it was the world's tenth-largest arms importer, down from fifth in 2016-20, as European buyers surged ahead and its own imports dipped.⁴⁷ In 2024-25, Defence spent around AUD 18bn / INR 1.01 lakh crore on capability acquisition, of which AUD 9.2bn / INR 51,722 crore, some 51 per cent, was spent in Australia, and the balance of roughly AUD 8.8bn / INR 49,474 crore overseas.⁴⁸ Its main supplier is overwhelmingly the United States, which counts Australia among the ten largest recipients of its arms, alongside European suppliers such as the United Kingdom and Spain, with the focus on large, complex systems that Canberra cannot yet make locally or has chosen not to.⁴⁹ The domestic share is flattered by definition, since spending recorded as Australian frequently passes through local subsidiaries of foreign primes and funds imported content: Strategic Analysis Australia puts the genuinely local share of acquisition dollars nearer one-third.⁵⁰

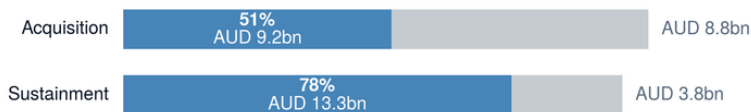
Australia buys its equipment abroad and sustains it at home

How Australia's 2024-25 capability spending divided between local and overseas industry, and how its standing as an arms importer has changed.

Capability programs spending, 2024-25

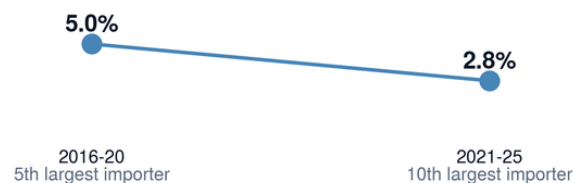
Spent in Australia

Spent overseas



Australia has fallen five places as an arms importer

Share of global arms imports, and world rank



Sources: Defence Industry Development Strategy 2026 (in-Australia dollars and shares; totals and overseas remainders derived); SIPRI, Trends in International Arms Transfers, 2025 (March 2026). Spending recorded as Australian includes imported content bought through local subsidiaries: Strategic Analysis Australia puts the genuinely local share of acquisition nearer one-third. SIPRI import shares use trend-indicator values, not financial value.

[47] "Trends in International Arms Transfers, 2025." Stockholm International Peace Research Institute, Mar. 2026, www.sipri.org/publications/2026/sipri-fact-sheets/trends-international-arms-transfers-2025.

[48] "Where's the Defence Dollar Going? Not to Australian Medium and Small Companies." Strategic Analysis Australia, 18 Nov. 2024, strategicanalysis.org/wheres-the-defence-dollar-going-not-to-australian-medium-and-small-companies/.

[49] "Trends in International Arms Transfers, 2025." Stockholm International Peace Research Institute, Mar. 2026, www.sipri.org/publications/2026/sipri-fact-sheets/trends-international-arms-transfers-2025.

[50] "Where's the Defence Dollar Going? Not to Australian Medium and Small Companies." Strategic Analysis Australia, 18 Nov. 2024, strategicanalysis.org/wheres-the-defence-dollar-going-not-to-australian-medium-and-small-companies/.

Australia's Defence Industry and Exports: Less Self-reliant but Often World Class

Australia's local defence sector is substantially smaller than India's, reflecting the difference between the two nations' populations (1.5bn versus 28m), a smaller national focus on the arms sector, and greater acceptance in Canberra of relying on imported weapons. With that said, successive governments have aimed to increase self-reliance in key areas, particularly in sustaining imported platforms, and to expand exports.

Today, the Australian defence industry can maintain (substantially independently) the vast majority of the ADF's platforms, with around 78 per cent of Defence's sustainment budget being spent locally.⁵¹ In terms of domestic design, development, and production, world-class strengths exist in naval shipbuilding and armoured vehicles (often, though not always, in the production of overseas designs);⁵² smaller, advanced systems, including remote weapons stations (RWS) and counter-drone equipment; and complex radars.⁵³

In terms of structure, the sector comprises around 5,200 companies,⁵⁴ including around a dozen particularly large Primes, typically local subsidiaries of large US or European firms; several other large defence companies;⁵⁵ and thousands of Small-to-Medium Sized Enterprises (SMEs).⁵⁶ Reflecting the complexities of sustainment, many firms provide engineering, integration, and specialist services, and others support equipment repair and maintenance, including building subsystems. Fewer firms build entire systems from the ground up, with this mainly occurring for shipbuilding and selected land vehicles.

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[51] "Maximising Australian Industry Participation through Defence Contracting." Australian National Audit Office, 20 May 2025.

[52] Examples include the Hobart-Class destroyers and Boxer Combat Reconnaissance Vehicles, based on Spanish and German designs respectively. In contrast the Cape Class Patrol Boat is entirely domestic.

[53] Examples include Electro Optic Systems' (EOS) cannon and laser-equipped RWS, DroneShield's counter-drone systems, and CEA Technologies' advanced radars.

[54] Australian Bureau of Statistics, Australian Defence Industry Account, experimental estimates, 2024-25, released 17 April 2026.

[55] See Australian Defence Magazine's Top 40 Defence Contractors 2024.

[56] Australia's definition of an SME is a company with less than 200 employees.

The Australian Bureau of Statistics puts direct employment at 63,500 in 2024-25, down 2.6 per cent on the previous year.⁵⁷ Wider estimates that include indirect supply-chain employment run to more than 100,000, though these are not measured on the same basis. The defence industry suffers from significant skills shortages across both trades and professions, notably in engineering disciplines, reflecting broader national skilled-workforce deficits.⁵⁸

Regarding exports, Australia's position is in many ways the opposite of India's. The nation is a substantial (by value) arms exporter, ranked 22nd among the top 25, although this falls short of Canberra's goal of being in the top 10 by 2028.⁵⁹ Key exports reflect Australia's strengths in complete platforms and systems, including ship designs, armoured vehicles, weapon stations, drone defence equipment, and major radars. These exports have occurred through equipment manufactured domestically and shipped overseas, and designs sold for overseas production and/or co-development.⁶⁰

A small, specialised industry that sustains more than it builds

Australia's defence sector at a glance.



A substantial exporter, short of its own target

Position among the world's arms exporters by value



Sources: Australian Bureau of Statistics and Department of Defence figures as cited in the report; SIPRI for the export ranking. Employment range depends on whether indirect supply-chain roles are counted.

An important moderator of foreign sales is Canberra's focus on export controls. Because many Australian systems are world-leading and contain sensitive technologies, and because of the nation's involvement in diverse export control regimes, comprehensive approvals are required for the overseas sale of almost all defence-related products and technologies.⁶¹ Of course, approvals are most easily granted for export to Canberra's most trusted foreign partners, and while relations with New Delhi have grown warmer, India is not yet in the innermost circle.

[57] Australian Bureau of Statistics. Australian Defence Industry Account, experimental estimates, 2024-25. 17 April 2026, abs.gov.au. The higher figure appears in the foreword to the 2026 Defence Industry Development Strategy.

[58] See Department of Defence, Defence Industry Skilling and STEM Strategy, 2019.

[59] "Trends in International Arms Transfers, 2025", SIPRI Fact Sheet, March 2026, Table 1. Department of Defence, Defence Export Strategy, 2018.

[60] Examples include EOS weapons stations, Nulka missile decoys, Bushmaster Protected Vehicles, Austal-designed ships built at the company's yard in the US, and recently the JORN radar system.

[61] For a discussion see: Department of Defence, Defence Industry Development Strategy, 2024.

Industry Policy Affecting International Cooperation

Australia's position regarding preferences for local production and the potential for foreign investment is somewhat the inverse of India's. Generally, aside from support for domestic shipbuilding,⁶² Australia has shown no particular favouritism towards local vendors (not least because of the more limited potential in the domestic sector), although bids from foreign companies are required to demonstrate some level of local involvement. In turn, Australia's foreign investment regulations have become increasingly strict in the national security field, with essentially any foreign involvement requiring review.

The most significant recent change regarding local production is that contained in the Defence Industry Development Strategy (DIDS) 2024 and 2026.⁶³ These documents announced seven SDIPs, summarised in Table 3, which are capabilities that Canberra has determined must be physically located in Australia rather than sourced from overseas supply chains. To support the achievement of the SDIP and local capabilities, the DIDS announces measures (to be used as necessary), including grant funding for capability uplift (such as procuring equipment and training staff), the designation of preferred or mandated suppliers in tenders, and the timing of Defence purchases to assure demand.

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Separately, while Australia welcomes foreign capital, the most recent investment guidelines indicate heightened scrutiny of overseas ownership in sensitive sectors. For defence firms, referred to in the guidance as “national security businesses”, any foreign entity (individual, corporate, or government) seeking to acquire a direct interest – or to start a defence business in Australia – must receive Canberra's approval, regardless of the proposed investment's value.⁶⁴

[62] See: Abramowicz, Victor. July 2026. Spending Better for a Stronger Defence. (Centre for Independent Studies). <https://www.cis.org.au/wp-content/uploads/2026/07/AP111-defence-spending.pdf>

[63] Department of Defence, Defence Industry Development Strategy, 2024 and Defence Industry Development Strategy, 2026

[64] See: Department of the Treasury, Guidance Note 8, 1 Jul 2023.

Finally, while the DISP primarily affects domestic Australian businesses, it is another important policy consideration.⁶⁵ This sets out a mechanism through which defence sector companies can be accredited to work on and with increasingly sensitive levels of classified data and hardware, and requires a range of governance, personnel, physical, and cybersecurity measures. While DISP membership is not mandatory per se, it is increasingly preferred by Defence as a means of mitigating risk and may be required for certain tenders or when working with Prime contractors. As DISP has no formal Indian equivalent, this can present challenges to Australian vendors seeking to identify vetted partners with whom they can have full confidence in sharing products and information. DISP also places additional oversight of foreign investment into Australian defence companies.

The seven capabilities Australia insists on building at home

Sovereign Defence Industrial Priorities. Priorities 4 and 5 are where the report identifies the clearest openings for Indian suppliers.

-  **1. Aircraft MRO & upgrade**
Sovereign maintenance, repair, overhaul and upgrade of ADF aircraft
-  **2. Continuous naval shipbuilding**
Including building and sustaining nuclear-powered submarines
-  **3. Combined-arms land systems**
Sustaining and enhancing land capability for littoral manoeuvre
-  **4. Guided weapons and ordnance**
Domestic manufacture of GWEO, including energetics and forgings **Market opportunity for India**
-  **5. Autonomous systems**
Development and integration across maritime, land and air **Market opportunity for India**
-  **6. Battlespace awareness**
Integration of sensors and networks from seabed to space
-  **7. Test, evaluation and assurance**
Certification and systems-assurance ecosystem across all domains

Source: Defence Industry Development Strategy 2026, Department of Defence (Australia). Descriptions abridged.

[65] See: Department of Defence, Defence Industry Security Program, [accessed February 2026]

Table 3: Sovereign Defence Industrial Priorities (SDIP)

The seven capabilities Canberra has determined must be located in Australia rather than sourced from overseas supply chains, with the objective state set for the next two to five years.

SDIP Number and Name	Description and Objective State in the next 2-5 years
1. Maintenance, repair, overhaul and upgrade (MRO&U) of ADF aircraft	A sovereign industrial aircraft MRO&U capability is critical to optimising aircraft availability and ensuring it is not compromised, especially during times of conflict. It is essential that we grow and guide Australia's MRO&U capability in order to increase supply chain security and resilience to provide the increase in capacity needed to support Australia and our trusted partners during times of conflict. Defence aims to increase its sovereign industrial capability and reduce the dependence on the US supply chain where feasible and sensible.
2. Continuous naval shipbuilding and sustainment	In line with strategic and capability demands, industrial uplift is required in all three tiers of industry. Defence will primarily seek to drive sovereign industrial uplift for all three tiers through strategic partnerships with the Tier 1 Prime Contractors. Driving industrial uplift through strategic partnerships will encourage contributions to broader continuous naval shipbuilding and sustainment Enterprise objectives at a national level, beyond project or product-level. Through these strategic partnerships, Tier 1 Prime Contractors will develop the capabilities required both within themselves, and within their sovereign supply chains, to deliver more complex maritime projects. This includes building and sustaining nuclear powered submarines.
3. Sustainment and enhancement of combined-arms land system	A sovereign industrial base is critical to delivering and sustaining the combined arms land system, optimised for littoral manoeuvre, enabling long range land and maritime strike. Defence will continue to reinforce and expand the sovereign defence industrial base to support the manufacture and sustainment of these capabilities to meet preparedness and mobilisation activities. From 2026 to 2030, Defence will grow and strengthen domestic maintenance, repair, overhaul and upgrade and export capacity to increase global supply chain security and resilience in support of Australia and its trusted partners.
4. Manufacture of Guided Weapons and Explosive Ordnance (GWEO) / munitions	The growth and health of the local industrial capabilities required to deliver and sustain GWEO is an essential element to assure the continuing availability of this defence capability. Central to realising these domestic manufacturing projects will be dedicated investment to uplift Australian industry, ensuring Australian businesses manufacture components and sub-systems for Australian-made GWEO that is interoperable and certifiable with allies and partners. In addition, Defence is investing in key enablers, ranging from the development of novel capabilities and processes to the maturation of an explosive ordnance capability.

Table 3: Sovereign Defence Industrial Priorities (SDIP) (continued)

SDIP Number and Name	Description and Objective State in the next 2-5 years
5. Development and integration of autonomous systems	Defence is taking a unified, phased and multidomain approach to expanding Australia's sovereign autonomous systems capabilities across disposable and attributable platforms, maritime uncrewed systems, and broader uncrewed systems ecosystems. This approach aligns with the strategic direction, and is underpinned by ongoing autonomous systems initiatives across the ADF and industry. Defence intends to adopt a continuous capability development and delivery model, evolving prototypes into scalable, integrated, and sovereign capabilities through partnership with industry and allies. Digital engineering, additive manufacturing, and Industry 4.0 practices will underpin rapid iteration and sustainment.
6. Integration and enhancement of battlespace awareness and management systems	In the immediate term, Defence will prioritise the industrial capability needed to continue the integration of existing systems to deliver effects across long-range strike, undersea warfare and integrated air and missile defence capabilities from seabed to space. This will be expanded to optimise our sensors and networks for the evolving strategic circumstances; however, sharing further detail may be limited to security-classified environments due to the sensitive nature of the technologies involved.
7. Test and Evaluation (T&E), certification and systems assurance	A test and evaluation, certification and systems assurance ecosystem, optimised to meeting Defence's needs, requires a cohort of suitable trained and experienced people (ADF, APS and industry), a wide range of training and testing environments (maritime [surface and underwater], land, air and digital), and supporting instrumentation, common frameworks and processes. Together, these optimise performance and replicability, as well as governance and control mechanisms to assure the outcomes of the process. Each warfighting domain requires T&E, certification and systems assurance at all stages of the industry life cycle, though there can significant variance in its how it is undertaken given the diverse operating environments. As such, T&E, certification and systems assurance is managed at the Domain and project level.

NOTES

Table data compiled from DIDS 2026. More detailed descriptions can be found in the DIDS annexes.

SECTION II – INCENTIVES AND OPPORTUNITIES FOR COLLABORATION

The above snapshot presents clear opportunities for, as well as challenges to, expanded industrial collaboration between Australia and India. In this section, we address the strategic, structural, business logic and opportunity aspects arguing for closer engagement, and review the so-far limited cooperation. Once the case for the benefits is made, this allows for more thoughtful consideration of the challenges addressed in Section III and motivates overcoming them through the means discussed in Section IV.

Strategic Incentives: Benefits for Government

A range of factors beyond the increasingly warm Canberra-New Delhi relationship support expanded industrial cooperation, and so help justify government support for it. As a first point, the old certainties of the post-Cold War era are drawing to a close and perhaps have already gone. The strategic landscape is increasingly contested, not least due to the rise of China and a certain degree of withdrawal by the US as a reliable provider of common security goods. In response, as noted in particular by Canada's Prime Minister Mark Carney at Davos in January 2026, middle powers in particular must act together and diversify to hedge against uncertainty, even as they hold to their existing alliance commitments.

This need for diversification certainly includes the field of armaments and defence technologies. For example, the US in Ukraine has retreated from its previous position of gifting weapons (requiring now payments, in practice often funded by Europe),⁶⁶ together with selectively withholding weapons and intelligence support to exert pressure on Kyiv. Even private companies such as SpaceX have, at times, crippled Ukrainian operations by restricting access to the Starlink satellite constellation.⁶⁷ More broadly, the involvement of the US and Europe in conflicts such as in Ukraine and the Middle East has drawn down their existing stocks of weapons,⁶⁸ and even with expanded production in the offing, the replenishment will take years, and buyers outside of these nations may well be last in line to have their orders filled.

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A range of factors beyond the increasingly warm Canberra-New Delhi relationship support expanded industrial cooperation, and so help justify government support for it.

[66] "U.S. Approves First Shipment of Weapons to Ukraine Under New Mechanism in Concert With Allies." Foundation for Defense of Democracies, 17 Sept. 2025, www.fdd.org/analysis/2025/09/17/u-s-approves-first-shipment-of-weapons-to-ukraine-under-new-mechanism-in-concert-with-allies/. Accessed 18 June 2026.

[67] "Musk Switched Off Starlink during Ukrainian Counteroffensive in Kherson Oblast in 2022 – Reuters." Ukrainska Pravda, 25 July 2025, www.pravda.com.ua/eng/news/2025/07/25/7523419/. Accessed 18 June 2026.

[68] "The U.S. and Europe Are Running Out of Weapons to Send to Ukraine." CNBC, 28 Sept. 2022, www.cnbc.com/2022/09/28/the-us-and-europe-are-running-out-of-weapons-to-send-to-ukraine.html. Accessed 18 June 2026.

Defence industrial cooperation between Australia and India offers a promising and prudent path to address such risks. Precisely because both nations have well-developed (and advancing) defence sectors, have had few sales with one another, and are not presently involved in conflicts, they represent a mutually untapped resource. Further, the countries' strategic geography is highly advantageous to keeping supplies flowing: there's open ocean between their coasts with no potentially hostile powers positioned in between.

Also, the use by either nation of fully indigenous weapons developed in the other, or of cooperatively developed ones based on such technology, offers the potential to avoid being beholden to the US's famously burdensome ITAR rules. These rules place strict limits not only on the use and re-export of weapons and technologies from Washington but also on any systems that may contain elements of such weapons and technologies. As such, an otherwise 99% indigenous system may still require US approval for export, a significant limitation for any country seeking to expand its arms exports.

Market Complementarity

Separately from the strategic incentives, India and Australia's markets have a notable and (if pursued wisely) complementary symmetry in technology: New Delhi's sector is highly self-sufficient but not yet world-leading, while Canberra's is often world-leading but not self-sufficient. Further, even advanced Indian arms are generally cheaper due to lower R&D and production costs, whereas Australian weapons carry much higher price tags.

Each nation has what the other needs

India brings scale, cost and a broad manufacturing base. Australia brings world-class niche technology it cannot build at volume.

	INDIA	AUSTRALIA
Population	1.5 billion	28 million
Defence budget	AUD 139.6bn FY 2026-27	AUD 59.0bn 2025-26
New-equipment pipeline over the next decade	AUD 559bn	AUD 425bn
Industry structure	16 public undertakings, ~17,000 MSMEs	~12 large primes, ~5,200 companies
Defence industry workforce	270,000-900,000	63,500
Engineering graduates	1.5 million a year	Significant shortages
Share of procurement going to local firms	About 81% by value	51% of acquisition spend
	Self-sufficient, not yet world-leading	World-leading, not self-sufficient

Figures drawn from the sources cited elsewhere in this report. India's decade pipeline is shown as a range because published projections differ by method. Workforce figures for both countries are estimates and definitions differ.

This represents significant potential, particularly given the possibility of avoiding ITAR, for cooperative R&D and production of advanced systems for use by both nations and for export to third parties. While New Delhi and Canberra's compliance with international arms control obligations will, of course, need to be respected, all else being equal, arms exports for mutual benefit are more likely if the weapons in question can be manufactured and sold at lower prices than more expensive ones. This could certainly be done using Australian technology, built more cheaply in India – potentially through companies with large FDI stakes held by Australian firms – with the results then exported and profits shared accordingly.

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Separately from the strategic incentives, India and Australia's markets have a notable and (if pursued wisely) complementary symmetry in technology: New Delhi's sector is highly self-sufficient but not yet world-leading, while Canberra's is often world-leading but not self-sufficient.

Further, while both nations have shortages of skilled labour, the sheer scale of India's educational output offers the potential for differential impact: Australia's shortages of engineers, for example, are in the tens of thousands, while India graduates 1.5 million per annum. Applying a fraction of India's skilled professionals to Australian needs, for example, via temporary visas, could address a swath of Canberra's SDIP objectives while also upskilling Indian personnel and providing increased remittances for New Delhi. A key issue, however, would be security accreditation, an issue we address in Section IV.

Opportunities

While there are clear strategic benefits to cooperation, a more fundamental question remains for businesses in both India and Australia: why should I preferentially seek to enter this market rather than any other? Unless New Delhi and Canberra can show it's in businesses' interests to work with their foreign counterparts, all the effort in the world risks leading a horse to water when it has no interest in taking a drink.

As a first point, the scale of the opportunity for new equipment across both markets over the next decade is worth restating: some AUD 984bn / INR 55.32 lakh crore. This surely merits attention. For Australian companies in particular, we emphasise again that even though Indian tenders are required to favour local firms, foreign-sourced components, materials and services are explicitly permitted: between 40 and 50 per cent of contract value across the four prioritised indigenous categories, and up to 100 per cent under Buy (Global) where the supplier is foreign (see Table 1).

Further, our analysis shows there are real pathways for meaningful and profitable business cooperation across short (1-5 years), medium (5-10 years), and long-term (10+ years) horizons. We have listed these below and, for convenience, also grouped them with opportunities for wider government-to-government (G2G) cooperation in support of industry (we list our proposals for enacting these G2G opportunities in Section IV). The prospects below provide a mechanism for a government-supported yet business-led approach to building industrial cooperation aligned with the burgeoning strategic relationship. While each step could occur independently, together they support increasingly organic cooperation.

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Short-term

G2G: Supporting FDI.

An opportunity exists to transform a challenge into an advantage through Indian (MII) and Australian (SDIP) localisation imperatives. Both MII and SDIP provide high confidence in government spending across clearly defined industrial categories and permit varying levels of foreign ownership, up to 100% with government approval, in local firms that conduct the actual work. This provides an opportunity for companies in both nations to invest in the other with low risk and high certainty of return. Such investments would provide both parties with "skin in the game" and exposure to each other's procurement practices, while fostering trusted relationships and enabling the sharing of expertise to develop new products.

G2G: Skilled labour mobility.

Australia's defence industry consistently lacks skilled labour, whereas India's labour pool is expanding; however, India can still benefit from experience with complex overseas projects. A mechanism that allows suitably cleared Indian personnel to work on Australian projects in Australia would help meet the requirements of both nations.

Business opportunities.

Our analysis has identified at least half a dozen promising, verified need-capability matches in the short term, in which government support may enable rapid, practical cooperation. These

opportunities are listed in Table 4, Section A and B below, and are drawn from verified Indian MoD AoN approvals and Requests for Information (RFIs) issued in 2024-2026, as well as Australia's SDIP.

Six near-term matches between a stated need and a proven capability

Each pairs a documented requirement on one side with an established supplier on the other.

AUSTRALIA → INDIA

Lightweight AESA radar AoN Dec 2025	→	CEA Technologies
Counter-drone detection and interdiction RFI Feb 2026	→	EOS Systems, DroneShield
Extra-large autonomous underwater vehicle AoN Jul 2025	→	Anduril Australia
Cold-weather protected mobility vehicle AoN Oct 2025	→	Thales Australia

INDIA → AUSTRALIA

Energetics for guided weapons manufacture SDIP 4	→	Munitions India, Solar Industries
Warhead body forgings and castings SDIP 4	→	Bharat Forge

Source: authors' analysis of Indian MoD Acceptance of Necessity approvals and Requests for Information issued 2024-2026, and Australia's Sovereign Defence Industrial Priorities. See Table 4.

Medium-term

TPCR and IS&T research collaboration.

Rather than attempting to sell products directly into one another's markets, a more promising approach is to develop new technologies and equipment collaboratively to meet shared needs. Our analysis of India's Technology Perspective and Capability Roadmap 2025 (TPCR-2025), which outlines MoD capability requirements over the next 15 years, against priority areas of Australia's 2026 Defence Innovation, Science and Technology Strategy (IS&T), and alongside recognised government and private-sector capability strengths in both nations, identified six areas. These opportunities are listed in Table 4, Section C, below.

Approaching cooperative R&D through the TPCR/IS&T/industrial capability lens enables identification of areas where India and Australia share common medium-term interests and existing cooperative capabilities, providing a promising path for government-supported R&D with a strong likelihood of local and potentially international sales. This work would be conducted in combination between the two countries' national defence R&D organisations,

India's DRDO and Australia's Defence Science and Technology Group (DSTG), ably supported by private industry. A medium-term approach also provides time to address inevitable security concerns when engaging in cooperation in deeply sensitive areas. The 2026 IS&T priorities overlap substantially with AUKUS Pillar II, particularly in undersea warfare, autonomy and AI, quantum technologies, and hypersonics. Australian investment in these areas, including the AUKUS Pillar II uncrewed undersea vehicle payloads and enabling-systems signature project, will strengthen national capabilities relevant to bilateral cooperation with India. Further, the 2026 IS&T strategy itself expressly seeks expanded IS&T collaboration with like-minded international partners, providing a policy basis for such engagement.

Six areas of overlapping technological priority

Long-range fires and hypersonic weapons Scramjet propulsion; cruise missiles; loitering munitions	High-energy lasers Laser weapons; power and thermal scaling
Autonomous systems Autonomy verification; swarm coordination	Quantum technologies Key distribution; sensors for navigation
Artificial intelligence Imagery change detection; self-healing networks	Undersea warfare Autonomous underwater vehicles; sonar suites

Source: authors' cross-reference of TPCR 2025 and the Australian Defence Innovation, Science and Technology Strategy, August 2026. See Table 4, Section C.

The potential for expanded R&D cooperation is also recognised by Canberra and New Delhi, being highlighted by both nations' defence ministers in June 2026.⁶⁹ This provides grounds for confidence in the government's support for such industry endeavours.

GWEO production.

Australia is currently commencing expanded local GWEO production. While initial weapons have been identified for manufacture, such as the Guided Multiple-Launch Rocket System (GMLRS), which has entered production, and the Naval Strike Missile (NSM), the range of weapons produced over time is likely to expand, particularly for novel systems that can be produced at low cost. India's capabilities in complex yet lower-cost weaponry, such as the Nirbhay cruise missile and the hypersonic Long Range Anti-Ship Missile (LRAShM), may create opportunities for medium-term production in Australia or cost-effective large-scale sales.

Longer-term

ADF recapitalisation.

If the Indian industry becomes well established and understood in Australia, it will be well positioned to compete for inclusion in major recapitalisation projects beginning in 2035 and after. A key example is the consideration of Indian-designed vessels, or vessels incorporating major Indian equipment, in the Hobart-class replacement program.

[69] "Joint Statement on the Second India–Australia Defence Ministers' Dialogue." Minister for Defence, Australian Government, 1 June 2026, www.minister.defence.gov.au/statements/2026-06-01/joint-statement-second-india-australia-defence-ministers-dialogue.

Table 4: Opportunities in India-Australia Defence-Industrial Cooperation

Sections A and B. Section A covers Indian procurement requirements addressable by Australian capabilities; Section B covers Australian industrial needs addressable by Indian capabilities.

Export Direction	Requirement / Need	Context & Technical Specifics	Capability / Solution	Why Competitive?	DAP 2026 MII Implications
Section A: Indian Short-Term Needs & Australian Solutions					
Australia → India	Counter-UAS Radar (AoN: Dec 2025, "Low Level Light Weight Radar")	The approved role is detecting and tracking small, low-flying uncrewed aerial systems. Required to be man-portable and vehicle-transportable, and operable in plains, desert and high-altitude terrain.	CEA Technologies (CEATAC Radar System)	CEA's AESA arrays are lighter and more power-efficient than competitors, making them well-suited for high-altitude, low-logistics sites. CEATAC is entering ADF service under LAND 19 Phase 7B, mounted on the light Thales Hawkei PMV-L, enabling rapid deployment in austere terrain.	Radar systems are not on any PIL. Buy (Global) — Category 4 is viable in the short term (up to 30% IC by final contract stage; FDI up to 74% automatic / 100% government route). India also manufactures radars (BEL, DRDO). To access higher-priority categories, a new Indian JV entity (Indian partner >50%) would be required. Critical ownership note: CEA Technologies is 71.84% owned by the Australian Government, a holding announced in April 2023 and built up from July 2023; CEA itself cannot accept foreign equity.
Australia → India	Counter-Uncrewed Aerial System (C-UAS): Sensing / Jamming / Kinetic (RFI: Feb 2026, up to 45 drone interception and 50 drone catcher systems)	The Indian Army seeks a comprehensive system to detect, jam, and destroy UAS across diverse and challenging terrain, integrable with existing air defence networks.	EOS Systems (Slinger / Apollo) DroneShield (DroneSentry / DroneGun / C2)	EOS Slinger uses a 30mm cannon firing RF proximity-fuzed high-explosive fragmentation rounds. The Apollo 100kW laser counter-drone weapon fits in a 20' ISO container. Both have been exported and fit Indian truck chassis. DroneShield is a global leader in handheld, relocatable, and fixed-site drone detection (DroneSentry), jamming (DroneGun), and C2. Lightweight, rugged, and combat-proven in Ukraine.	India is developing indigenous C-UAS capabilities (iDEX, DRDO). These Australian systems therefore tread on MII priorities. Short-term: Buy (Global) Category 4 is viable (FDI up to 74% automatic / 100% government route; IC up to 30% by final stage). Longer-term: To remain competitive as India indigenises, EOS and DroneShield would benefit from a JV with an Indian partner holding >50% ownership, qualifying for Category 1 or 2 procurement.

Table 4: Opportunities in India-Australia Defence-Industrial Cooperation (continued)

Export Direction	Requirement / Need	Context & Technical Specifics	Capability / Solution	Why Competitive?	DAP 2026 MII Implications
Australia → India	Extra-Large Autonomous Underwater Vehicle (XL-AUV) (AoN: July 2025, "Submersible Autonomous Vessels" — Buy Indian-IDDM; separate July	The July 2025 AoN covers Submersible Autonomous Vessels. The approval states no roles; surveillance, mine detection and anti-submarine work are the plausible applications. A separate July 2024 RFI sought Underwater-Launched AUVs (ULAUV) for ISR and mine-countermeasures, to be launched from submarines. India is also pursuing up to 12 XLUUVs under Make-I, approved in principle in January 2023.	Anduril Australia (Ghost Shark)	Ghost Shark is one of the few XL-AUVs capable of long-range persistence without a surface mothership. Its modular payload bay can accommodate Indian-supplied sonar and sensors. In Royal Australian Navy service from April 2026, under a A\$1.7bn five-year programme covering delivery, sustainment and continued development; subject to Australian Government export approval.	Important caveat: the July 2025 AoN is under Buy (Indian-IDDM), which requires Indian design and ≥50% indigenous content. Ghost Shark as a foreign-designed system cannot directly fulfil this AoN. Ghost Shark is best suited to a Buy (Global) — Category 4 procurement (FDI up to 74% automatic / 100% government route) or, if Anduril establishes an Indian JV with >50% Indian ownership and commits to progressive indigenisation, a Buy (Indian) & Manufacture in India — Category 2 pathway.
Australia → India	Protected Mobility Vehicle (PMV) — standard and high altitude (MoD Requests for Information)	MoD RFIs seek about 700 standard and 500 high-altitude 4x4 protected mobility vehicles carrying ten troops, the high-altitude variant for above 4,000m. Tracked vehicles are too slow for valley-to-valley transfer in the Himalayas.	Thales Australia (Bushmaster)*	The Bushmaster is a world-class PMV. Its cold-start capability and run-flat tyres are battle-proven in Ukraine, offering a ready-made solution for the stated requirement.	Standard and high altitude PMV are on the Positive Indigenisation List from December 2027, requiring Buy (Indian) & Manufacture in India — Category 2. (≥60% IC on Manufacture portion; FDI up to 74% automatic / 100% government route). Thales Australia is a subsidiary of France's Thales Group. It can participate in Category 2/3 directly (Para 23.1/23.2 not required). A local Indian production partner is needed for the Manufacture component. This is an attractive FDI and co-production opportunity.

Table 4: Opportunities in India-Australia Defence-Industrial Cooperation (continued)

Export Direction	Requirement / Need	Context & Technical Specifics	Capability / Solution	Why Competitive?	DAP 2026 MIL Implications
Section B: Australian Short-Term Needs & Indian Solutions					
India → Australia	SDIP 4: Domestic manufacture of Guided Weapons & Explosive Ordnance (GWEO) — energetics	Australia is building GWEO capabilities but currently lacks the chemical industry to produce warhead explosives and composite rocket propellants at scale.	Munitions India Ltd (MIL) / Solar Industries	India is a top-tier producer of energetics. MIL is a DPSU and one of the world's major explosives manufacturers, and exports to Saudi Arabia, the UAE and Armenia, adding Bangladesh, Indonesia and Sudan as customers in 2024-25. Solar Industries secured INR 2,150 crore of defence export orders (Feb 2025), to be executed over six years, demonstrating the volume to cost-effectively supply Australian missile assembly lines as they build up over the next several years.	Australian import from Indian suppliers. No Indian DAP procurement category applies. India's export control framework (SCOMET) governs; approval required for energetics exports.
India → Australia	SDIP 4: Domestic manufacture of GWEO — warhead body forgings and castings	Casting and forging high-grade steel for missile warheads is energy-intensive and expensive in Australia; capacity is presently constrained.	Bharat Forge	Bharat Forge supplies Rolls-Royce under an October 2025 agreement covering Pearl 700 and Pearl 10X fan blades, and Boeing under a multi-year contract for 737 MAX titanium forgings; its KCTI materials laboratory is approved by both and holds ISO 17025 NABL certification. In September 2025 it contracted with the UAE's EDGE Group for 155x52mm M109 howitzer barrels. These credentials establish Bharat Forge's capacity to meet the precision and quality standards required for defence-grade warhead body forgings. Indian capabilities offer cost-effective supply of required materials in the short term, with FDI and ToT supporting Australia's desire to build a true local capability over time.	Australian import from Indian suppliers. No Indian DAP procurement category applies. Standard export licensing under India's SCOMET framework.

Table 4, Section C: Medium-Term Bilateral Science and Technology Opportunities

Drawn from Australia's 2026 Defence Innovation, Science and Technology Strategy and India's Technology Perspective and Capability Roadmap 2025.

IS&T Priority	TPCR-2025 Programme	Australian Capabilities & Bilateral R&D Opportunities
Long-range fires and hypersonic weapons	Hypersonic Systems Detection and Tracking	Long-range High Frequency radar detection physics, propagation, signal processing, and track management. Target-signature characterisation, sensor fusion, and target trial design, test, and modelling.
	Scramjet Propulsion	Combustor design, inlet/isolator optimisation, ignition and flameholding, fuel injection, thermal management, and propulsion modelling/simulation. Australian focus on high-speed propulsion and high-temperature materials.
	Shore Based Missile	Maritime targeting, anti-ship seeker integration, weapon-launcher integration.
	Precision Long Range Attack Cruise Missile	Electro-optical (EO) sensors, terminal seeker subsystems, target-validation links, anti-jam navigation, and precision guidance software.
High-energy lasers	Smart Loitering for Beyond Visual Line of Sight (BVLOS) Munitions	Autonomous mission management, route planning, target search, retargeting, onboard EO processing, and battle-damage-assessment functions.
	Directed energy weapons (C-UAS, point defence)	High-energy laser weapon systems; beam control; precision effects, targeting and tracking accuracy.
	DE power and thermal scaling	Power and energy assurance; power scaling of effectors; thermal dissipation R&D; reducing system size, weight and power.
	DE integration into layered defences	System-of-systems integration; efficient beam combination; AI/ML integration into laser fire control.
Autonomous systems	UAS / counter-UAS autonomy	Autonomy verification; Human-Machine Interface (HMI) trust models; resilient autonomy in degraded and denied environments.
	Multi-agent coordination	Swarm coordination; degraded-communications autonomy; crewed-uncrewed teaming.

Table 4, Section C: Medium-Term Bilateral Science and Technology Opportunities (continued)

IS&T Priority	TPCR-2025 Programme	Australian Capabilities & Bilateral R&D Opportunities
Quantum technologies	Autonomous ISR exploitation	AI fusion; autonomy-enabled ISR processing. Australian programmes include Ghost Bat, Ghost Shark and Speartooth.
	Quantum Key Distribution (QKD) / Random Number Generation (QRNG)	Quantum-secure communications R&D; Post-Quantum Cryptography (PQC) integration.
	Defence-exclusive quantum network	Secure network architecture; quantum network operations.
	Quantum sensors for Positioning, Navigation, and Timing (PNT)	Quantum clocks for ultra-accurate timing and synchronisation; quantum sensing for ISR, PNT and CBRN; quantum imaging for enhanced resolution.
Artificial intelligence	AI/ML based Change Detection for Multi-Payload Fused Imagery	Intelligence collection and analysis; automated processing of multi-source and multi-sensor imagery; near-real-time actionable information from fused data.
	AI Based Self-Healing Networks	Automation and autonomy in cyber situational awareness; predictive fault detection, remediation and network resilience.
	Data Fusion Project for Automation of Training Activities	AI-enabled synthetic training. DSTG, Macquarie University and Australian firm PLEXSYS have matured AI role-players for air battle management training, funded through ASCA's Emerging and Disruptive Technologies programme.
	Next Generation Radar Warning Receiver	Machine-learning emitter classification and threat identification; cognitive electronic warfare with AI-assisted countermeasure selection and dispensing logic; automated generation and update of threat libraries and mission-data files.
Undersea warfare	High Endurance Autonomous Underwater Vehicle (HEAUV) for ASW and multi-mission roles	Sensors for detecting, tracking and countering submarines; integration of emerging sensors into UUV decision support, C2 and combat systems. Ghost Shark and Speartooth are the Australian reference programmes.
	Navigation sensor suite for uncrewed underwater vehicles	GNSS/acoustic-independent undersea navigation; Doppler velocity log aided inertial navigation, ultra-short baseline positioning, and collision-avoidance sonar.

Table 4, Section C: Medium-Term Bilateral Science and Technology Opportunities (continued)

IS&T Priority	TPCR-2025 Programme	Australian Capabilities & Bilateral R&D Opportunities
	Underwater communication suite	Resilient machine-to-machine and human-machine interfaces for distributed undersea systems; optical and acoustic underwater communications.
	Payloads for uncrewed underwater vehicles	Integration of sensors and algorithms into combat systems; bow conformal and flank array sonar, ESM, electro-optical and infrared sensors, multi-beam echo sounders.
	Submarine Sonar Suite	Acoustic and non-acoustic detection and counter-detection; passive, active and intercept sonar, towed arrays, and DEMON and LOFAR signal processing.
	Unmanned Mine Counter Measure (MCM) Suite	Undersea intelligence collection and analysis; autonomous surface and underwater vehicles for mine identification, classification and neutralisation.

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For Section A: MII implications are based on DAP 2026 category definitions and vendor ownership rules (DAP 2026, Chapter I, Paras 17-23). FDI limits derive from Gol Consolidated FDI Policy (Press Note 4 of 2020). PIL status based on DDP Positive Indigenisation Lists as of July 2024.

Protected Mobility Vehicles, standard and high altitude, appear at serial numbers 65 and 66 of the 4th Positive Indigenisation List, requiring Buy (Indian) & Manufacture in India - Category 2. Thales Australia as a subsidiary of a foreign OEM may participate directly; an Indian production partner for the Manufacture component is required.

For Section C: Australian priorities and their key research areas are drawn from the 2026 Defence Innovation, Science and Technology Strategy, paragraphs 2.5 to 2.20. Indian programmes are drawn from TPCR-2025. India also possesses clear capabilities to support Australian long-range fires work through its LRAShM and ballistic missile programmes.

[70] IS&T: 2026 Defence Innovation, Science and Technology Strategy, Department of Defence, Commonwealth of Australia, 2026.

TPCR 2025: Technology Perspective and Capability Roadmap 2025, Ministry of Defence, Government of India (prepared by HQ Integrated Defence Staff), released September 2025.

DAP 2026: Draft Defence Acquisition Procedure 2026, Ministry of Defence, Government of India, released 10 February 2026: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2226097>

Gol FDI Policy: Press Note 4 of 2020, DPIIT, Ministry of Commerce and Industry, 17 September 2020: https://dipp.gov.in/sites/default/files/pn4-2020_0.PDF

PIL: 5th Positive Indigenisation List, Department of Defence Production, MoD, July 2024: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2033571>. Protected Mobility Vehicles appear at serials 65 and 66 of the 4th Positive Indigenisation List: https://www.mod.gov.in/sites/default/files/4th-PIL_comp.pdf

Bharat Forge KCTI laboratory approvals and ISO 17025 NABL certification: Kalyani Technoforge, R&D and Prototype: <https://kalyanitechnoforge.com/rd-and-prototype/>

Solar Industries export order: PIB, February 2025: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2117348>

Bharat Forge — Rolls-Royce partnership: Business Upturn, October 2025: <https://www.businessupturn.com/business/corporates/bharat-forge-expands-partnership-with-rolls-royce-to-manufacture-fan-blades-for-its-pearl-10x-engines/> Boeing contract: Bharat Forge press release (titanium forgings for 737 MAX): https://www.bharatforge.com/media/press-release/2022/151/press_page

Bharat Forge — GRADEONE and Kalyani Strategic Systems Limited Sign Landmark Contract for Artillery System Critical Spare Parts Supply to UAE:

https://www.bharatforge.com/assets/pdf/investors/notice/SEIntimationPressRelease_11_sep.pdf

Cases of existing cooperation

Despite the potential outlined above, cooperation has been modest until now, at least in part due to the challenges discussed in Section III. However, a portfolio of industry-to-industry partnerships is emerging, offering important insights into which engagements are commercially viable and strategically aligned.

At present, six key examples of recent cooperation merit attention.⁷¹ First, India's Indo-MIM Pvt. Ltd. (Bengaluru) has established a strategic partnership with Thales Australia focused on small-arms manufacturing, specifically on co-developing and supplying Metal Injection Moulding (MIM)-based components for Thales' F90 and EF88 assault rifles. Announced in October 2025 and highlighted by India's Defence Minister Rajnath Singh during the India-Australia Defence Industry Business Roundtable, this collaboration combines Indo-MIM's cost-efficient mass production capabilities with Thales' sovereign armament ecosystem - a model of industrial complementarity that aligns with both countries' strategic objectives.

Second, India's Tata Advanced Systems Limited (TASL) has initiated a collaboration with Australia's W&E Platt Pty Ltd. to co-develop and produce uncooled thermal imaging sights. Announced on 10 October 2025 at the India–Australia Defence Industry Business Roundtable in Sydney, this partnership combines TASL's expertise in thermal imaging and optronics with W&E Platt's specialised engineering in defence supply chains, demonstrating a willingness to pursue technologically sophisticated joint ventures beyond simple supply arrangements.

Third, Munitions India Limited (MIL) has established a partnership with Australia's Aqusport in munitions and related technologies. While specific operational details remain limited in public disclosures, this collaboration was cited at the October 2025 Defence Industry Roundtable as an example of ongoing industrial cooperation.

Fourth, India's Kalam Labs signed a Joint Development Memorandum of Understanding (MoU) with AVT Australia in November 2025 for collaboration on Near-Space Intelligence, Surveillance, and Reconnaissance (ISR) payload systems. The MoU allows Kalam Labs to adapt and manufacture AVT's Electro-Optical (EO) and Infrared (IR) gimbal technologies for near-space aerial missions, providing cost-effective ISR solutions for the Indian Armed Forces while emphasising indigenous innovation.

Fifth, Australian defence technology company EOS secured its first sale to the Indian defence industry in March 2026, receiving an order from an unnamed major Indian prime contractor for a naval R800 heavy-calibre RWS, including platform and weapon integration, demonstration and trial support. The Indian prime is competing for an end-user requirement that could cover more than 130 systems, with integration and trials expected during 2026 and 2027.

[71] There have also been small examples of previous cooperation, such as India's Mahindra Group acquiring majority stakes in Australia's Aerostaff Australia and Gippsland Aeronautics in 2009, and Thales Australia securing a contract, concluded by early 2019, to supply eight Clip-On Influence Sweep (CLOIS) systems to the Indian Navy.

Sixth, India's Dynauton Systems, the uncrewed systems business of Dynamatic Technologies, has established a supply and integration partnership with Australia's Orbital UAV covering two-stroke heavy-fuel engines for the CHEEL tactical uncrewed aerial vehicle (UAV), specifically Orbital's 150HFE and 350HFE platforms. Technical engagement began in early 2024, a Memorandum of Understanding followed in April 2024, and Orbital has supported the CHEEL development programme since late 2024. This collaboration combines Dynauton's UAV design capability and Dynamatic's aerospace manufacturing base with Orbital's engine technology and specialist integration support. The CHEEL is an indigenously designed Indian aircraft now under evaluation by prospective Indian customers, so the partnership has moved beyond an announced MoU into active product development - the clearest instance in this group of Australian propulsion technology being integrated into an Indian platform with access to both domestic defence and commercial markets. Substantially, the two partners have identified opportunities for selected local production in India, co-development of additional products, and cooperation across supply chains.

Industrial cooperation: the substantive partnerships to date

Six key examples of substantive Australia-India industry partnerships. They cluster in components, optronics, munitions, ISR and UAV propulsion rather than whole platforms. The last entry is a completed sale rather than an announced partnership.



Source: company and government announcements, 2024 to 2026. Implementation and commercial outcomes remain to be demonstrated.

These partnerships, while encouraging, remain modest in scale relative to policy ambitions. They cluster primarily in specific capability areas: small arms components, optronics, munitions, RWS, ISR systems and UAV propulsion, rather than representing broad-based industrial integration. The recentness of most of these announcements also means their implementation trajectories and commercial viability remain to be demonstrated. Nevertheless, these cases provide concrete evidence that mutually beneficial cooperation is possible when conditions align: where Indian cost-efficiency and engineering capabilities meet Australian technology and established defence procurement relationships. The challenge now is to understand why these remain exceptional cases rather than representative of a broader pattern.

SECTION III – CHALLENGES

Industry-to-industry cooperation between India and Australia faces several structural impediments that extend beyond the enthusiasm expressed at the policy level. These challenges are both systemic and market-specific, requiring careful navigation if partnerships are to move from exceptional cases to normalised practice.

Competing national policies

Competing national policies. Both countries are pursuing strategies geared toward increasing domestic capabilities and enhancing exports, creating an obvious mismatch. And in key areas of common strength, notably shipbuilding, the most capable entities in Australia and India are natural competitors on the international market. They can be sure of government orders that require local fabrication.

Despite this, as noted in Section I, there are opportunities for ongoing export sales at the component level even under the most restrictive Buy (Indian – IDDM) regimes, let alone more permissive approaches. Further, the potential for highly likely or guaranteed orders under MII/SDIP, plus the opportunity for foreign investment, would allow companies from both nations to share in revenue via joint ownership and/or profit via engaging in meaningful exports.

Structure of Australia's Domestic Sector

Many of the largest Australian firms with the most promising products are subsidiaries of foreign OEMs, limiting their capacity to sell into India in competition with their overseas parent. Likewise, these arrangements limit the utility of New Delhi (or Indian firms) negotiating with the Australian subsidiaries: it makes more sense to approach the foreign head office directly.

Further, Australian Primes of all stripes have invested heavily in personnel and facilities to conduct local manufacturing and sustainment as needed. They are supported by an extensive network of trusted and established subcontractors. India's potential to supply similar parts or systems at lower cost will face not only political hurdles (particularly in the SDIP) but simply inertia, together with the very real risk aversion of Australian Primes. This, in turn, is driven by Canberra's focus on capability assurance: a more expensive but trusted component or vendor will almost always trump the promise of a cheaper but ultimately unknown supplier.

Existing Australian Supply Chains and Export Relationships

With the vast majority of Australian equipment sourced from the US and Europe, and the focus on local sustainment, Australian firms (even beyond the subsidiaries of overseas Primes) have built extensive contacts with the foreign industrial bases. Commercial practices and IP regimes are similar, relationships are well-established, and security arrangements and export control processes are well-trodden.

Absence of market understanding

Indian and Australian companies have not focused on each other's markets, limiting knowledge of and interest in opportunities. From Australia's perspective, India has historically imported from the Soviet Union/Ex-Soviet states and has mainly sought complete, complex weapon systems as it diversified (e.g., P-8I, Rafale). Australian companies generally do not manufacture many complete weapon systems, and those that do are typically subsidiaries of foreign OEMs – so when products exist, India rightly deals with the non-Australian headquarters. Delays in Indian procurement programs, occasional scandals, and concerns about IP protections further dampened Australian firms' interest. Thus, few Australian firms have attempted to sell to India, and little is known about the market.

From India's perspective, Indian companies have only over the past decade sought to substantially expand defence exports alongside increased domestic capabilities, making them newcomers to the Australian market. Few Indian systems addressed existing Australian capability gaps in new equipment procurement, and because most of Australia's existing equipment is US- or European-origin with established supply chains, there was limited scope for Indian support. Few Indian firms appear to have attempted to sell to Australia, thereby resulting in limited market knowledge.

Divergent procurement dynamics

The two countries' procurement processes work differently, hampering firms' ability to operate effectively. In Australia, most large procurements are managed through major projects, which are well-advertised in government documents such as the IIP years, or even decades, in advance. While these projects often run late, few procurements are conducted through rapid or emergency measures. Consequently, experienced firms identify industrial partners and approaches well before RFTs are released. In contrast, although many major Indian projects also run late, a much larger share of equipment is procured through rapid or urgent procurement to compensate. Indian firms reasonably begin planning to bid on work when AoNs/RFI/RFTs are announced. The result: Indian companies seeking to bid for Australian work will almost certainly be locked out of competitive opportunities, while Australian firms are unlikely to bid for short-notice Indian RFTs, which they may consider uncompetitive even if this is not necessarily the case.

Recapitalisation misalignment

Canberra is toward the end of a major ADF recapitalisation, with equipment almost entirely from Europe or the US. Almost all major platforms - ships, tanks, aircraft - have been contracted or potential vendors shortlisted, and once in service, these will be maintained by existing supply mechanisms. This effectively excludes Indian weapons and equipment from major projects until the next recapitalisation, likely not to begin until the mid-2030s, when decision making for the Hobart-class destroyer replacements should begin in earnest, with vessel construction beginning after the completion of the current Hunter-class frigate program in the early 2040s. Unscheduled, short-notice, rapid, or urgent procurements of large quantities of weapons are highly unlikely.

Security accreditation gaps

A fundamental enabler of cooperation on classified defence equipment is the ability, especially by industry, to share classified information. In this area, Australia-India cooperation is hindered in two ways. Firstly, there appears to be no framework governing classified information sharing between businesses, rather than only government to government.⁷²

Secondly, in the private sector, Australian companies often invest substantial capital to obtain DISP accreditation to conduct secure defence work. Once accredited, companies have a strong incentive to work with local or foreign companies that can demonstrate they are trustworthy parts of the supply chain. The absence of an Indian equivalent hinders collaboration and may exacerbate concerns about IP loss among DISP companies, which are sensitised to the issue through accreditation processes that emphasise IP controls.

International competition and IP concerns

Indian companies could theoretically manufacture Australian products using cheaper, skilled labour to create more competitive designs under license for Indian or global markets. However, Australian concerns over IP control raise the prospect that an Indian partner could undercut an Australian firm, hindering interest in cooperation.⁷³

Uncertain market prospects

While the MoD remains the largest consumer of MII defence materiel, the history of protracted procurement procedures casts a shadow on Australian industry's decisions to expand operations with Indian counterparts. India's updated Defence Procurement Manual (DPM) 2025 offers reasons for optimism through merit-based tendering, encouragement of private-sector participation, simplified procedures for G2G deals, and a promise to reduce procurement timelines.⁷⁴ Yet, given the limited knowledge of India within Australian industry and its reputation as a challenging defence market, DPM changes alone are insufficient to foster greater cooperation.

While New Delhi is keen to expand its presence as a defence exporter and has achieved notable success over the past decade, given Australia's existing reliance on European and US platforms, cooperation on platforms is unlikely. Cooperation in manufacturing small components would depend on whether Indian companies manufacture for global OEMs supplying to Australia. From an export perspective, opportunities may exist in which Australian OEMs are overbooked and require partner assistance, though such arrangements would face long-run incentive limitations.

[72] An example of the nations with which Australia has a SIA with industry data sharing provisions can be found at Department of Defence, 2024, FACT SHEET: Defence Security of Information Agreements / Arrangements (SIAs), Commonwealth of Australia, <https://www.agsva.gov.au/sites/default/files/2024-04/DISPAGSVASIAfactsheet.pdf>

[73] Our contacts with Australian defence companies repeatedly raised concern over IP protection as a potential barrier to cooperation, and cause of caution about investigating or entering the Indian market.

[74] "India's Defence Procurement Manual 2025." Delhi Policy Group, 18 Sept. 2025.

Every challenge in Section III has a proposed answer in Section IV

Which recommendation addresses which obstacle. Recommendation 5, publishing procurement roadmaps, applies the most broadly of any single measure.

CHALLENGE	ADDRESSED BY		
Competing national policies	2a	6	
Structure of Australia's domestic sector	2a	6	
Existing Australian supply chains	6	7	
Absence of market understanding	5	7	
Divergent procurement dynamics	5		
Recapitalisation misalignment	1a	5	
Security accreditation gaps	2b	3a	3b
International competition and IP concerns	3b	4a	
Uncertain market prospects	4b	5	

Recommendations

1a	Joint technology fund	4a	IP insurance facility
2a	Concessional loan facility	4b	Market access assurance
2b	DISP pathway working group	5	Published procurement roadmaps
3a	Security of Information Agreement	6	Joint export niches
3b	Indian DISP equivalent	7	Mutual literacy programme

Source: authors' analysis. Challenges as set out in Section III; recommendation numbers as in Table 5. Recapitalisation misalignment is a timing problem that no policy measure removes; the recommendations shown mitigate rather than resolve it.

SECTION IV - WHERE DO WE GO FROM HERE, AND WHY NOW?

Clearly, there are important opportunities, and incentives for pursuing them, in Indian-Australian defence industry cooperation, but also important structural and idiosyncratic constraints. While we have identified a range of practical, implementable measures to expand cooperation – which we discuss below – a sensible first question is: “Why invest the effort now?”

That is, the factors arguing for enhanced collaboration are enduring, and both governments and businesses only have finite resources in terms of their attention, effort, and capital to deploy to achieve their ends. What makes it important to pursue expanded Australia-India cooperation now, as opposed to other important concerns?

Our answer to this is straightforward: with global trends worsening, and established nation-to-nation vendor relationships (especially for Australia) essentially fully developed, action is needed today to enable a more secure and diverse supplier base tomorrow. Conflicts can and do erupt and spread with little warning, with matters today in Iran reaching out to India’s shores and directly involving Australian personnel.⁷⁵ Further, there is a real risk that China will attempt to seize Taiwan before the end of this decade. Such scenarios will consume yet more of existing weapons stocks and potentially threaten traditional supply lines for Canberra and New Delhi.

To mitigate such risks, the natural complementarity between India and Australia needs to be harnessed, and overcoming the previously listed challenges will require sustained time and effort by both sides. The time to start this is now, particularly in light of the current political momentum.

“

It is essential to have realistic expectations and avoid being swayed by the extent of positive momentum at the political level: the challenges we listed are real, extensive, and embedded in policy and economic structures.

At the same time, it is essential to have realistic expectations and avoid being swayed by the extent of positive momentum at the political level: the challenges we listed are real, extensive, and embedded in policy and economic structures. Addressing them will take time; progress will be step-by-step and increase slowly, and the overall extent of collaboration may well remain more modest than international sales to more established partners and markets. Yet even a

[75] The US submarine that sank the Iranian frigate Dena had Australian submariners aboard, although these were not involved in the attack. See: <https://www.abc.net.au/news/2026-03-06/australian-navy-personnel-on-us-submarine-that-sunk-iran-vessel/106423710>

small slice of the decadal market can bring enormous benefits to the private sector in both countries, and doing so will buy down the strategic risk of reliance on Europe and the US – a priceless benefit for Canberra and New Delhi.

What is to be done?

There are several practical steps that governments can take towards achieving substantive industrial cooperation, either through individual action or, better yet, through G2G collaboration. The latter is important as it provides both countries' bureaucracies with "skin in the game", rather than relying on one-sided endeavours. Also, while some initiatives can be at the policy level, government funding support is important as a means to buy down the risk for private industry, which otherwise will be inclined towards existing markets and thus lose out on the benefits of exploring new ones (and thus also deny the strategic advantages to Canberra and New Delhi).

Regarding key initiatives, we propose the following in Table 5. Any or all of these would serve as welcome announcements during future bilateral senior visits as the relationship develops. The initiatives below range from no-cost policy instruments to modest joint fund contributions.⁷⁶ Item 7, the mutual literacy programme, represents the most immediately actionable and cost-effective step, and is the natural foundation for all others.

Most of what needs doing requires no additional expenditure

The proposed initiatives, grouped by cost. The step the report calls the most cost-effective is highlighted, and it is close to the cheapest on the list.

No direct cost

policy instruments only

- | Expand the 2+2 MoU and create a bilateral technology working group
- | DISP pathway working group for Indian firms
- | Conclude a Security of Information Agreement
- | Publish unclassified procurement roadmaps on both sides

Low cost, policy and administration only

- | India establishes a DISP-equivalent industrial security programme
- | New Delhi-backed IP insurance facility for Australian firms
- | Canberra-backed market access assurance for Indian firms

AUD 250,000-300,000 a year

AUD 125,000-150,000 per government

- | **Persistent industry exchange and mutual literacy programme**

AUD 40m, one-off, shared equally

AUD 20m per government

- | Australia-India Defence Technology Development Fund
- | Concessional loan facility for bilateral defence investment

Source: authors' proposals and costings. See Table 5. Fund figures are one-off capitalisations shared equally between the two governments.

[76] By no-cost we mean that the work can be conducted by existing government organisations as part of their day-to-day operations using existing personnel and funded by their current budgets. They require no or very limited additional expenditure

Table 5: Key Initiatives for Stimulating Defence Industrial Cooperation

Seven proposals, grouped by the objective each serves, with the body responsible and an illustrative cost for each.

#	Recommendation	Action by	Illustrative cost	Notes
1. Establish Dedicated Institutional Mechanisms				
1a	Australia–India Defence Technology Development Fund (AIDeT-DF) Joint fund for co-development with shared IP arrangements, modelled on India's iDEX and INDUS-X.	Canberra + New Delhi (equal contributions)	INR 225 crore / AUD 40m (AUD 20m each; one-off capitalisation)	Scaled up from the Defence Innovation Organisation benchmark, capitalised in 2018 with INR 100 crore / AUD 18m contributed by HAL and BEL, and adjusted for inflation. A Defence Innovation Bridge mechanism, as raised during Minister Singh's October 2025 visit, could serve a similar function.
1b	Expand 2+2 MoU + establish bilateral defence technology working group Expand the MoU signed at the 2023 India–Australia 2+2 Ministerial Dialogue to include co-development clauses. Establish a working group modelled on the India–Japan joint development working group.	Canberra + New Delhi (policy-level)	Nil direct cost (Bureaucratic/ diplomatic effort only)	Working group to have a specific mandate covering TPCR/IS&T priority areas and clear deliverables, rather than serving as a forum for announcements. This approach would also align with the proposal for a Defence Innovation Bridge during Minister Singh's 2025 visit. The working group could also operate as a subset of the existing Joint Working Group on Defence Industry, Research and Materiel but with a stronger focus on specific projects, especially if enabled via a SIA (see recommendation 3a).
2. Preferentially Support Foreign Investment				
2a	Government-backed concessional loan facility for bilateral defence investment Reduce risk for companies — particularly Australian firms — entering each other's defence markets.	Canberra + New Delhi (equal contributions)	INR 225 crore / AUD 40m (AUD 20m each; loans recovered; one-off initial capitalisation)	A concessional loan facility allows capital to be recycled and can substantially reduce the long-run fiscal cost. Future tranches could be considered in due course once the scheme proves a success. Even for a revolving facility, the net fiscal cost over time is modest relative to the AUD 559bn 10-year Indian capital procurement market.

Table 5: Key Initiatives for Stimulating Defence Industrial Cooperation (continued)

#	Recommendation	Action by	Illustrative cost	Notes
2b	DISP pathway working group for Indian companies Dedicated working group so that Indian industry personnel can understand Australian DISP requirements and provide data to address Canberra's security concerns, smoothing the path to DISP accreditation.	Canberra (lead) + New Delhi	Nil direct cost (DISP administrative process)	DISP accreditation is increasingly a prerequisite for working with Australian prime contractors. Lack of a clear pathway is currently a material barrier for Indian firms.
3. Develop Mutual Recognition of Security Frameworks				
3a	Security of Information Agreement Conclude a formally announced SIA, including provisions to allow sharing of classified information with industry.	Canberra + New Delhi (policy-level)	Nil direct cost (Legislative/policy instrument)	Essential to allow cooperation on any classified systems. Modelled on existing international SIA.
3b	India develops DISP-equivalent industrial security programme India establishing a formal industrial security programme equivalent to Australia's DISP would address Australian firms' concerns over IP protection and supply chain trustworthiness.	New Delhi (lead)	Low — domestic policy reform (Regulatory design cost only)	India's absence of a formal equivalent to DISP is frequently cited by Australian primes as a reason for caution on IP-sharing. Resolution would materially increase Australian industry confidence.
4. Build Trust by De-Risking Cooperation				
4a	New Delhi-backed IP insurance facility for Australian firms A government-backed insurance mechanism providing Australian firms with additional financial protection in the event of IP disputes arising from Indian-market operations.	New Delhi (lead)	Low — insurance reserves model (Actuarially priced; recoverable)	Our research shows IP risk is the single most commonly cited Australian industry concern about the Indian defence market. A government-backed facility — even a modest one — signals commitment and shifts the risk calculus for Australian SMEs.

Table 5: Key Initiatives for Stimulating Defence Industrial Cooperation (continued)

#	Recommendation	Action by	Illustrative cost	Notes
4b	Canberra-backed contract continuity and market access assurance for Indian firms Indian companies entering the Australian market face risks around export licence revocation, sovereign preference in procurement, and limited visibility of the SDIP pipeline. A Canberra-backed assurance mechanism — covering contract continuity in the event of policy changes and providing structured market-access support for Indian SMEs — would provide a reciprocal de-risking measure to 4a.	Canberra (lead)	Low — policy and administrative (Guarantee facility; contingent liability only)	Our contacts with Indian firms have highlighted uncertainty about the stability of Australian export licences, the opacity of the IIP pipeline, and the difficulty of navigating DISP as primary barriers. Canberra addressing these, if not already being done, through a formal assurance mechanism is the natural reciprocal to New Delhi's IP insurance facility in 4a.
5. Improve Procurement Transparency				
5	Publish unclassified procurement roadmaps Australia to restore project-level, timeline, and funding detail to its Integrated Investment Program (IIP), reverting to the standard previously set by the former Defence Capability Plan. India to publish an unclassified version of its procurement roadmap.	Canberra (IIP) + New Delhi (roadmap)	Nil direct cost (Classification review effort only)	Procurement opacity is a structural barrier for industry investment planning in both countries. Greater transparency reduces uncertainty and allows firms in both countries to position capital appropriately for future opportunities. The DAP (2020/2026) already requires the MoD to develop a 10 year Integrated Capability Development Plan. This should form a useful basis for an unclassified document.
6. Identify Non-Competitive Niches for Export Collaboration				
6	Joint export product development in complementary niches Rather than competing in the same markets, focus cooperation on areas of complementarity. India's cost-effective radar subsystems and torpedoes (exported to Myanmar since 2019, and offered to Vietnam) combined with Australian systems integration expertise could underpin joint export-oriented platforms. Example: Australia's JORN long-range radar paired with India's LRAShM, with a stated range of more than 1,500km.	Industry (lead) + Canberra + New Delhi (facilitation)	Government facilitation only (Export credit agency co-financing)	Export collaboration creates commercial incentives independent of bilateral procurement politics. Export Finance Australia and India's ECGC Limited are both parties to the Quad export credit agency Memorandum of Cooperation, which could provide a starting point.

Table 5: Key Initiatives for Stimulating Defence Industrial Cooperation (continued)

#	Recommendation	Action by	Illustrative cost	Notes
7.	Increase Mutual Literacy			
7	Persistent industry exchange and policy development programme A sustained programme of industry exchanges, roundtables, embedded personnel, and policy development activities — building mutual knowledge of procurement processes, SDIP priorities, PIL/DAP frameworks, and technological strengths.	Canberra + New Delhi (equal contributions)	AUD 250,000–300,000 / INR 1.41–1.69 crore p.a. AUD 1.25–1.5m / INR 7.03–8.43 crore over 5 years (AUD 125,000–150,000 each per annum)	Benchmarked against CSDR programme delivery modelling. This is the most cost-effective initiative on this list — at AUD 125,000–150,000 per government per year, it costs less than a single mid-level bureaucrat's salary while establishing the trusted personal and institutional relationships that underpin all larger cooperation. It is the natural first step: low risk, immediately actionable, and a prerequisite for everything above.

NOTES

Costs are illustrative only and represent one possible scale of ambition. All figures in AUD/INR at the 2025 calendar year average rate of 1 AUD = INR 56.22 (source: exchangerates.org.uk). AIDeT-DF and investment fund figures benchmarked against the Defence Innovation Organisation's 2018 capitalisation of INR 100 crore / AUD 18m by HAL and BEL, adjusted for inflation.



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