

Aerospace Industry in India is the fastest growing in the world

Source: R&PM Edelman

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PricewaterhouseCoopers and the Confederation of Indian Industry today released a report titled Changing Dynamics – India's Aerospace Industry at Aero India 2009. The report was released by Hon. Minister of State for Defence, Shri Pallam Raju.*

PricewaterhouseCoopers and the Confederation of Indian Industry (CII) today released a report titled Changing Dynamics* – India's Aerospace Industry at Aero India 2009. The report was released by the Hon. Minister of State for Defence, Shri Pallam Raju. According to the report, while activity in the Indian aerospace industry is primarily driven by Government / Public Sector Units (PSUs), the potential opportunities, both public and private, in the "design to build" lifecycle are tremendous. India's engineering workforce, its rapidly developing engineering services / research and development (R&D) expertise and its strategic position in South East Asia, makes it a potential global hub for both manufacturing and maintenance, repair and overhaul (MRO).

The report is based primarily on interviews with industry participants, secondary research and internal insights. It suggests that while making projections during a period of global recession is very difficult, from a long term perspective, the cyclical nature of the industry and its strategic importance will drive a recovery. Emerging markets, particularly India and China, will drive the civil aviation sector, while security concerns from the global war on terror will primarily drive military expenditure.

Dhiraj Mathur, India leader – Aerospace & Defence Practice, PricewaterhouseCoopers, said, "We are delighted to have partnered with CII for this report on the Indian aerospace industry. The Indian aerospace industry is one of the fastest-growing aerospace markets in the world and has attracted the interest of major global aerospace companies. All segments in the aerospace industry are showing a significant level of growth. India has several advantages, such as talent availability, manpower cost competitiveness, liberalised civil aviation and defence policies, a strong domestic manufacturing base and the presence of specialist capabilities amongst others, that positions it favourably to become the manufacturing and MRO hub for global and domestic aerospace companies."

The Indian aerospace industry has an expanding consumer base comprising airlines, businesses and high net worth individuals. The rapid growth of this industry has attracted major global aerospace companies to India. All segments in the aerospace industry, including civil and military aviation and space, are showing a significant level of growth.

The report covers two aspects of the industry:

1. India as a Manufacturing Destination: There are several factors driving growth in manufacturing in India's aerospace industry. These include both macro and micro factors – strong economic growth that has resulted in rapidly growing domestic aircraft demand, the liberalisation of civil aviation policies, offset requirements, a strong domestic manufacturing base, cost advantages, a well-educated talent pool, the ability to leverage IT competitiveness and a liberal Special Economic Zones (SEZ) law that provides attractive fiscal benefits for developers and manufacturers. The challenges include access to the latest technology, adequate funding, gaps in infrastructure and high cost of raw material and certification processes.

2. India as an MRO Destination: As a support service to the aviation industry, the sector will grow with the industry. Additionally, the globalisation of MRO services, manpower cost competitiveness, the availability

of talent, locational advantages and the presence of specialist capabilities combine to make India a potential global/regional MRO hub. India's MRO segment is estimated to grow at 10 percent and reach USD1.17 billion by 2010 and USD2.6 billion by 2020. The main challenge in positioning India as an MRO hub comes from the indirect tax structure, specifically customs duties and service tax.

As per the report, while the Government of India has undertaken significant liberalisation in the investment policy regime, particularly in civil aviation, there remain critical issues, especially in the tax regime that need to be addressed if India has to claim its position as an important global manufacturing hub in this sector. The report also contains a detailed analysis of the global aerospace industry and India's emerging role in it.

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Notes to Editor:

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Our team consists of professionals with diverse backgrounds and experience integrated across all lines of service. To provide the highest possible level of service, our consultants have developed a high level of industry expertise. The team constantly shares knowledge with industry players and the Government.

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