

STRATEGIC BRIEFING // APR 2026

R = 150B+

India's Defense *Revolution.*

Δ 2020-2035

A strategic pivot reshaping global power dynamics and creating unprecedented market opportunities.

\$150B+

TAM BY 2035

₹38,424 Cr

FY26 EXPORTS

85+

COUNTRIES

7-8%

CAGR

θ = 4x EXPORTS

Global Defense Spending Surge

Record-high spending driven by accelerating geopolitical tensions and NATO policy shifts

GLOBAL DEFENSE EXPENDITURE // \$ BILLION



KEY OBSERVATIONS

 **Rapid Acceleration**

Spending jumped \$0.5T from 2020 to 2024, a sharp break from prior flat trajectory.

 **Geopolitical Reality**

Ukraine and Middle East conflicts are forcing nations to reassess security posture in real time.

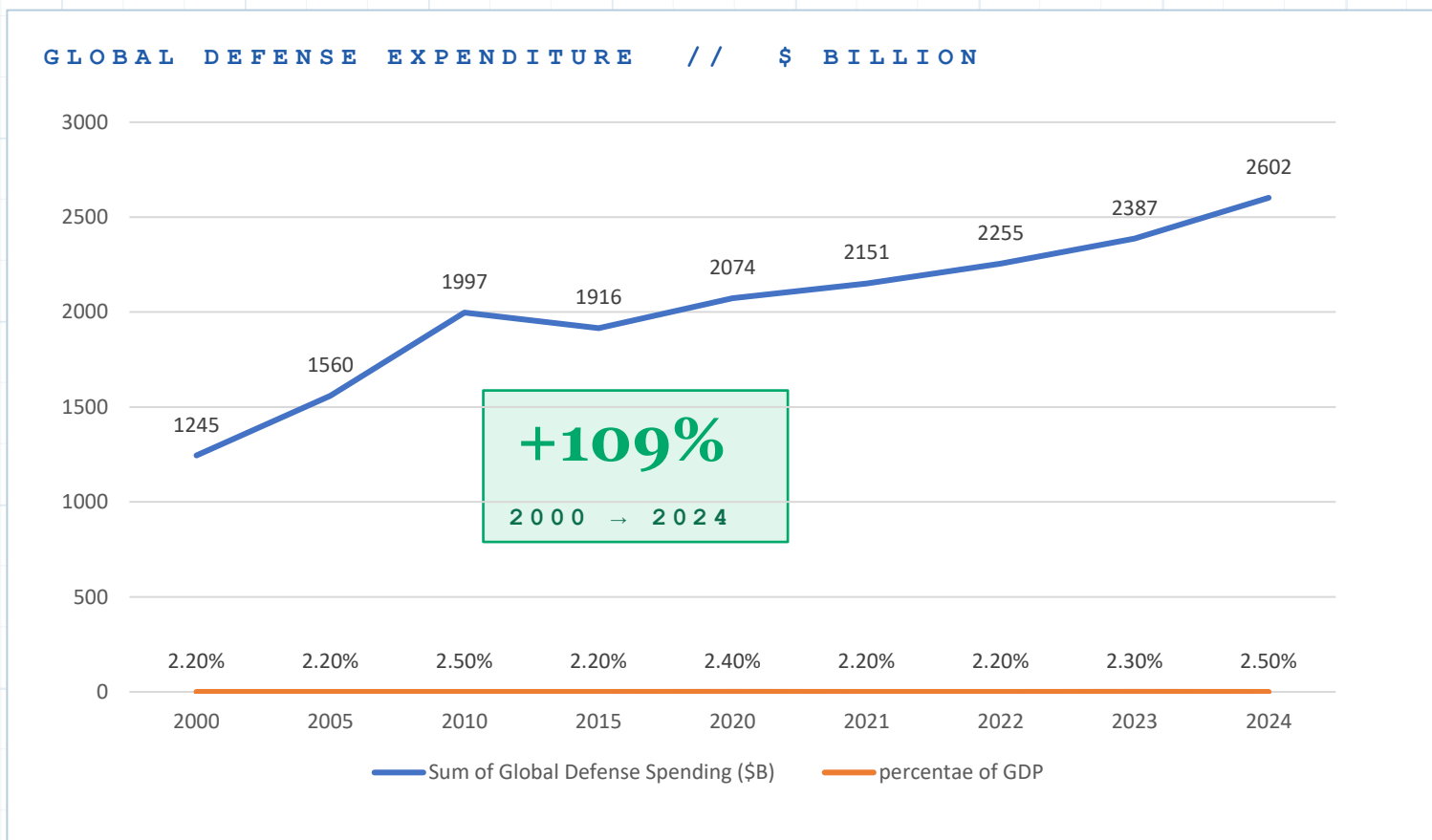
 **NATO Shift**

The 2% GDP target is now a floor, not a ceiling. Members are actively racing past it.

Source: SIPRI / consolidated global defense spending, 2000-2024

Global Defense Spending Surge

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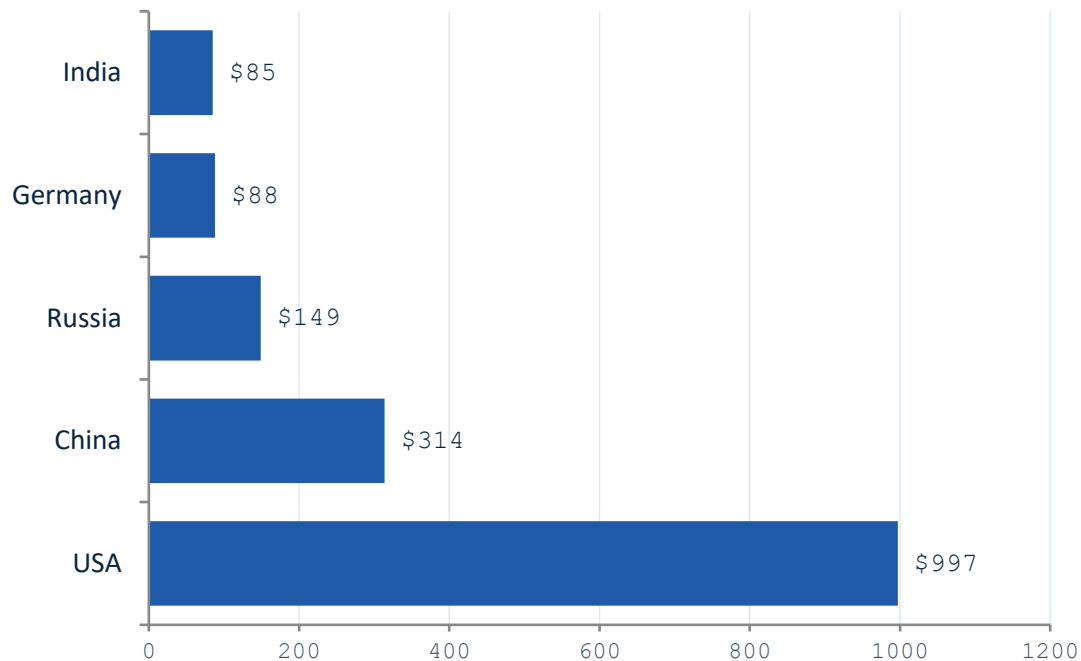
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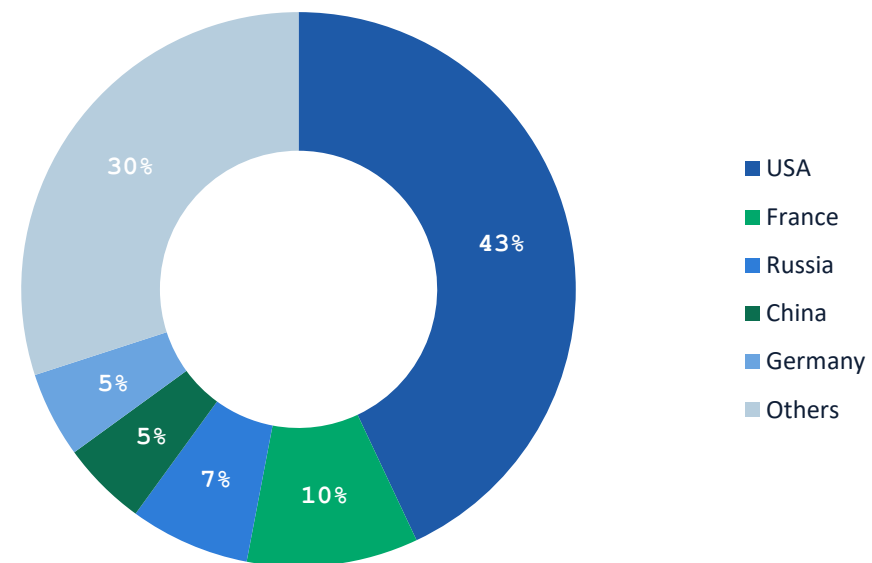
The Global Defense Landscape

The surge is reconfiguring who spends, who sells, and who moves up the ranks

TOP 5 DEFENSE SPENDERS // 2024 (\$B)



TOP ARMS EXPORTERS // % OF GLOBAL



~60%

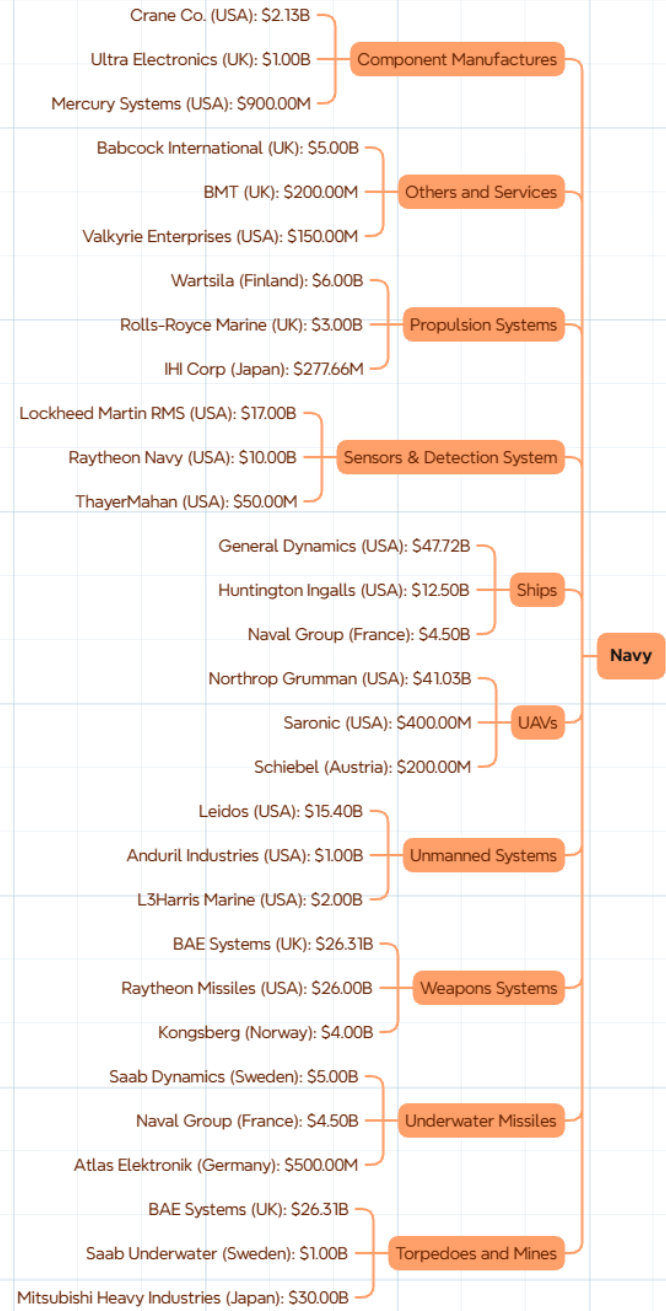
Top 5 share of global defense spend

#1

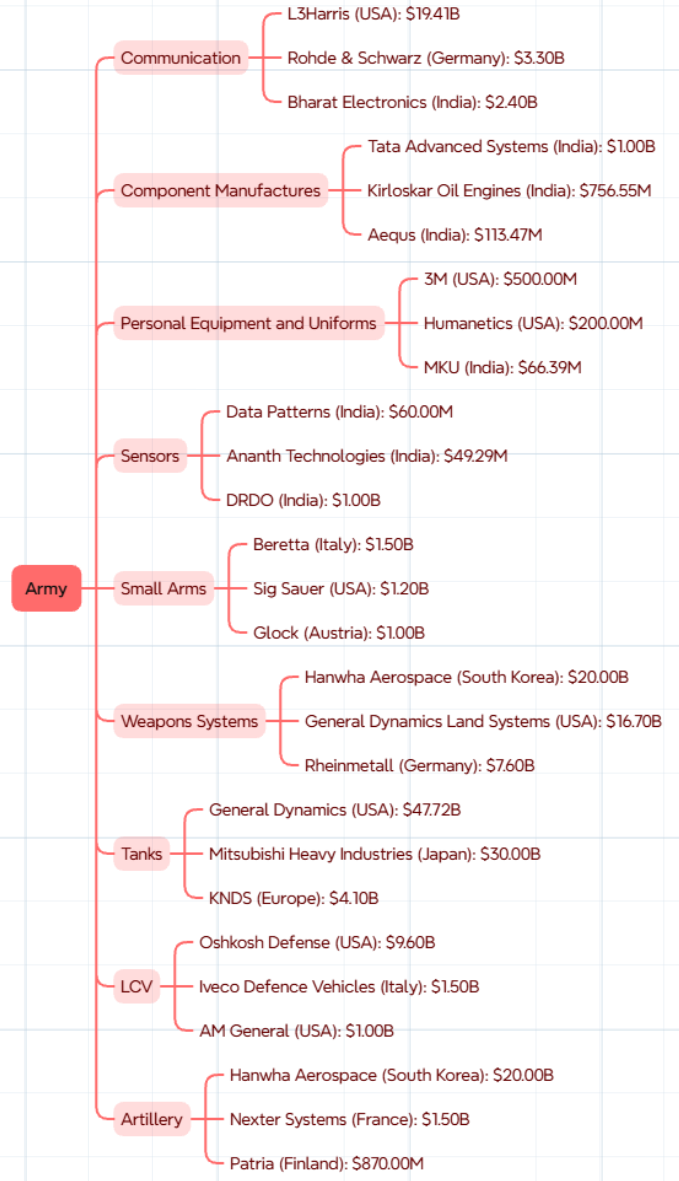
USA remains dominant exporter at 43%

#2

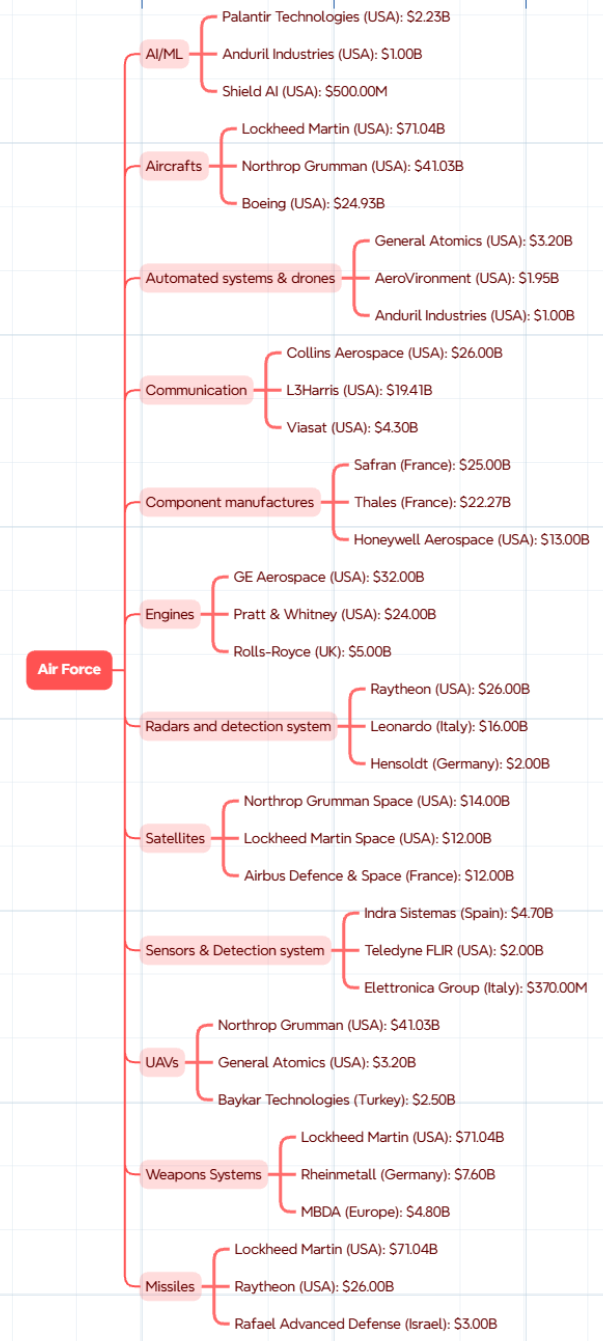
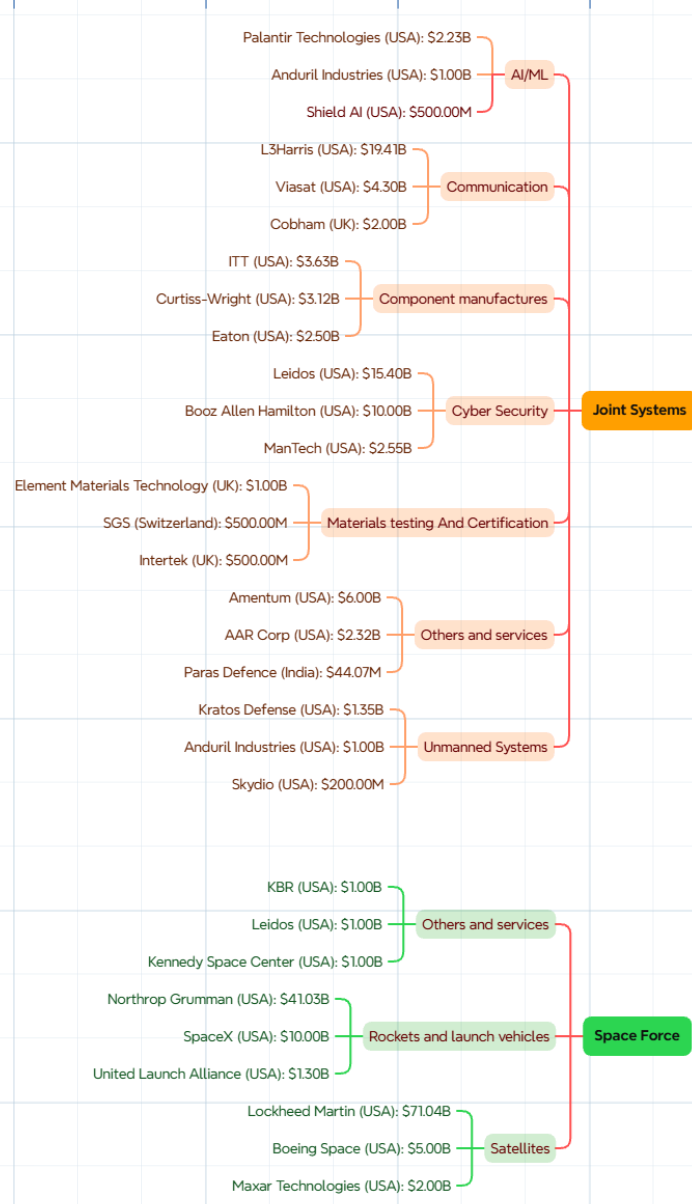
India is the 2nd largest arms importer (8%)



Global Defense Sector Mindmap

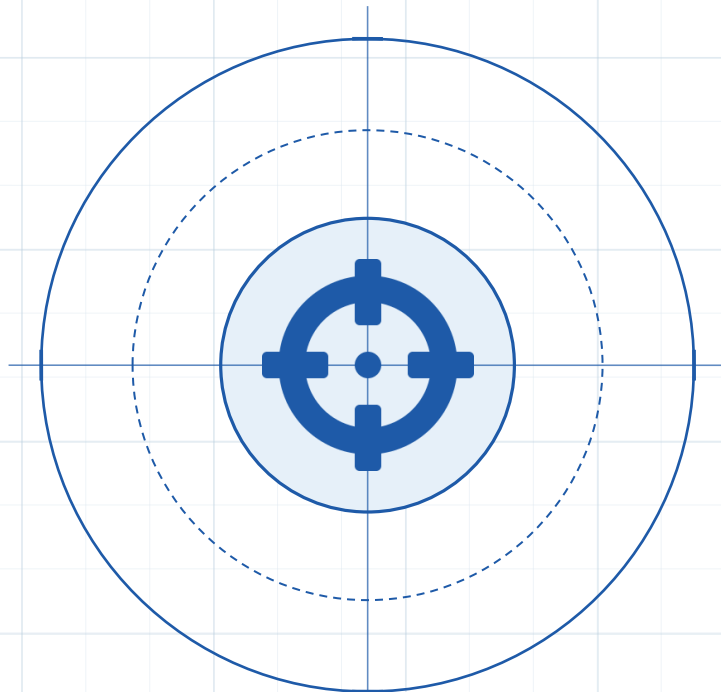


Global Defense Sector Mindmap



India's Strategic Pivot: Why Now?

Four converging forces behind the shift from reactive buyer to proactive builder



WHY NOW

01

Two-Front Threats

Managing simultaneous pressure from northern and western borders demands readiness at scale, a requirement underscored by the highest budget, marking a 9.53% increase between this year and last year

02

Indian Ocean Dominance

Securing SLOCs across the IOR, essential for economic lifelines and regional leverage, is supported by an increase in absolute defense spending.

03

Aatmanirbhar Bharat

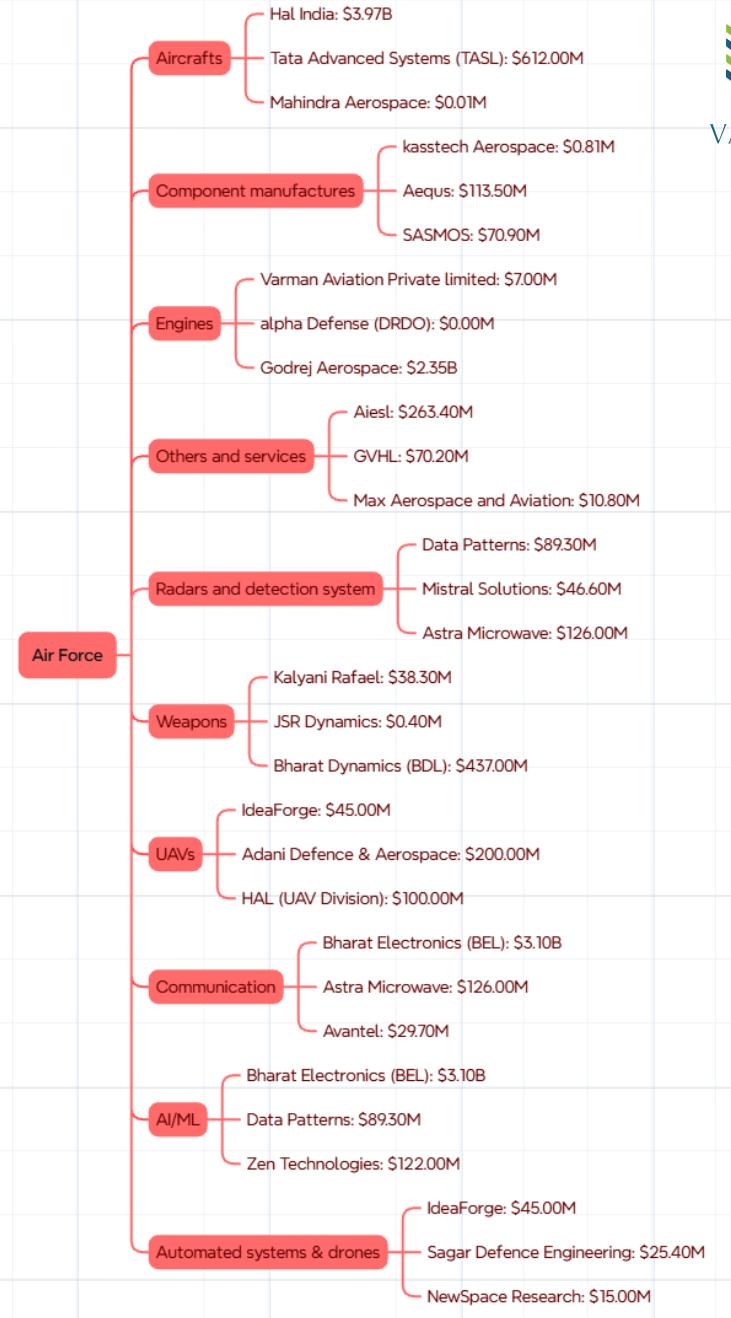
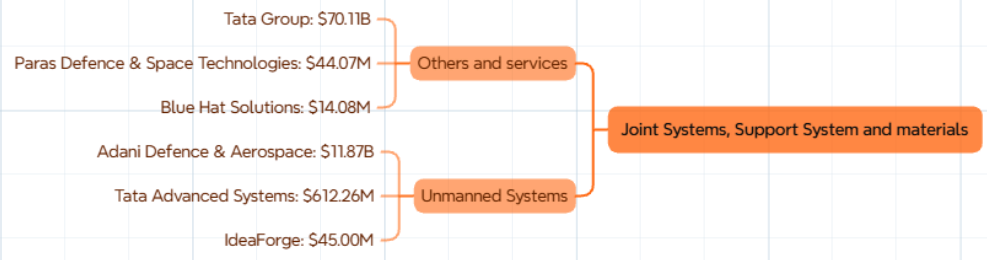
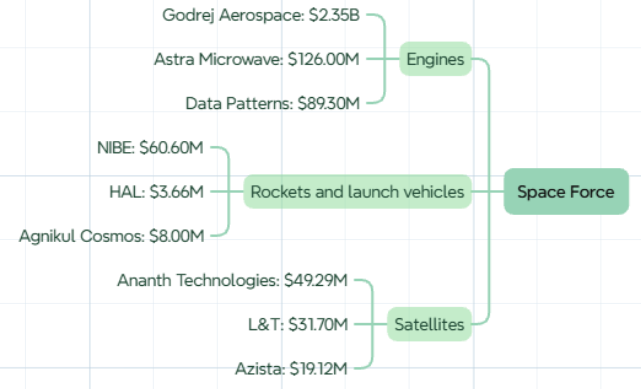
Self-reliance mandates are accelerating critical-tech independence and domestic production, as evidenced by India's decreased share in global imports.

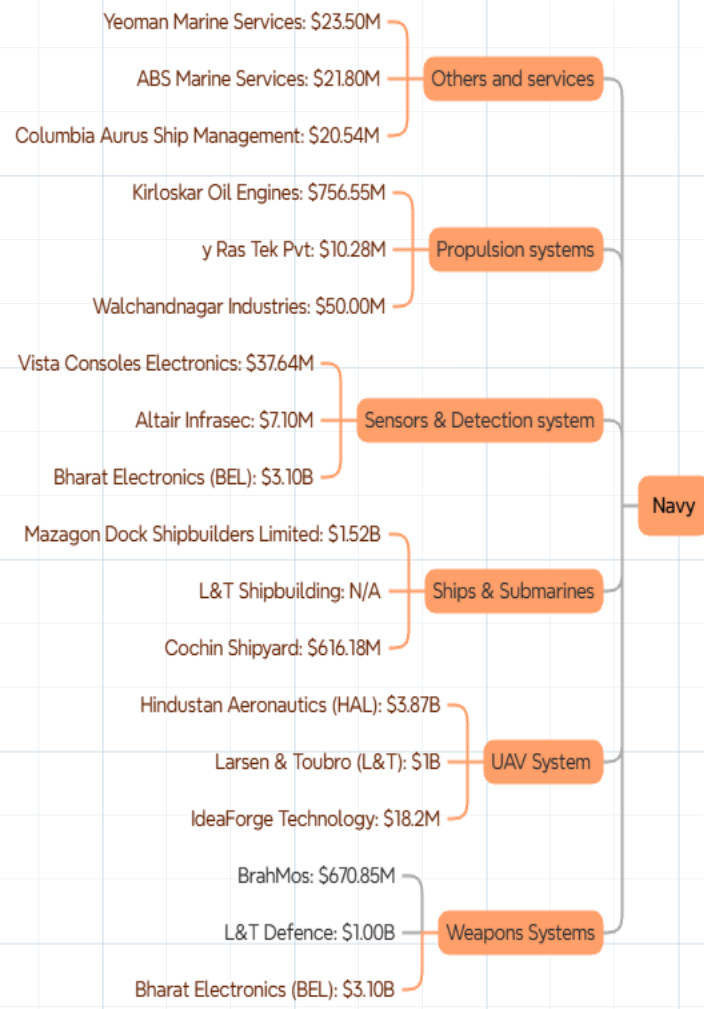
04

Strategic Alliances

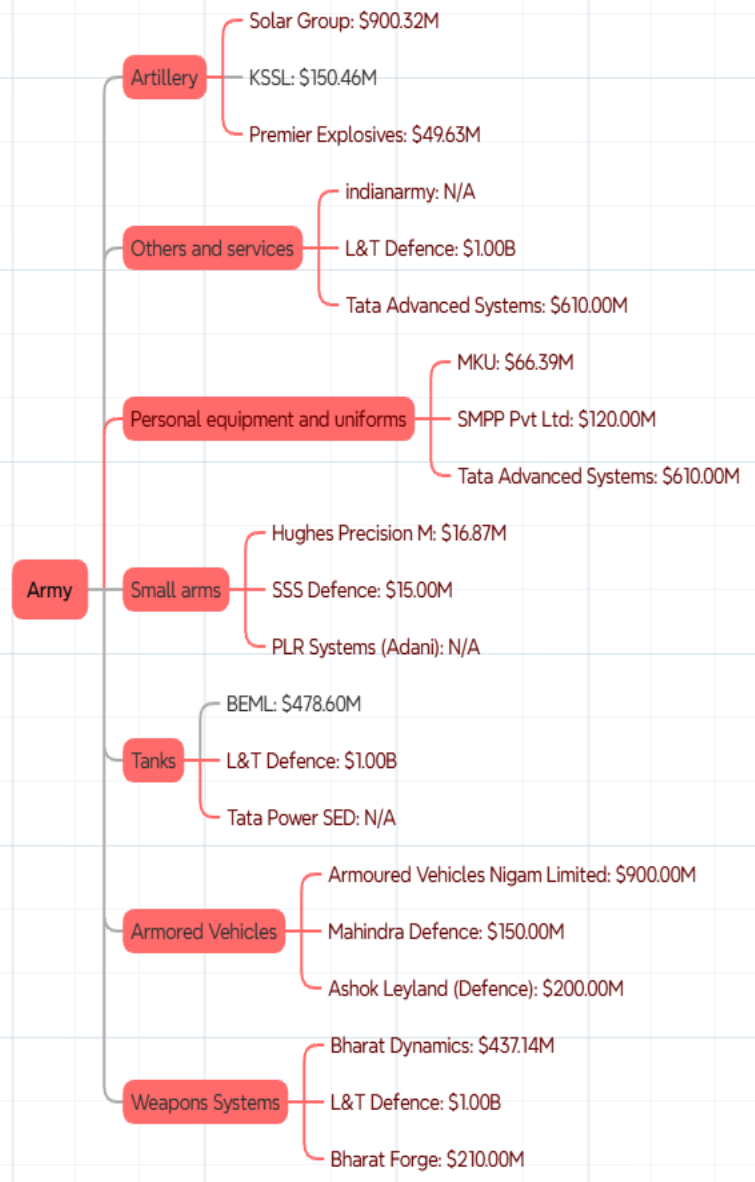
Israel and Russia partnerships have evolved into co-development, not just procurement.

Indian Defense Sector Mindmap





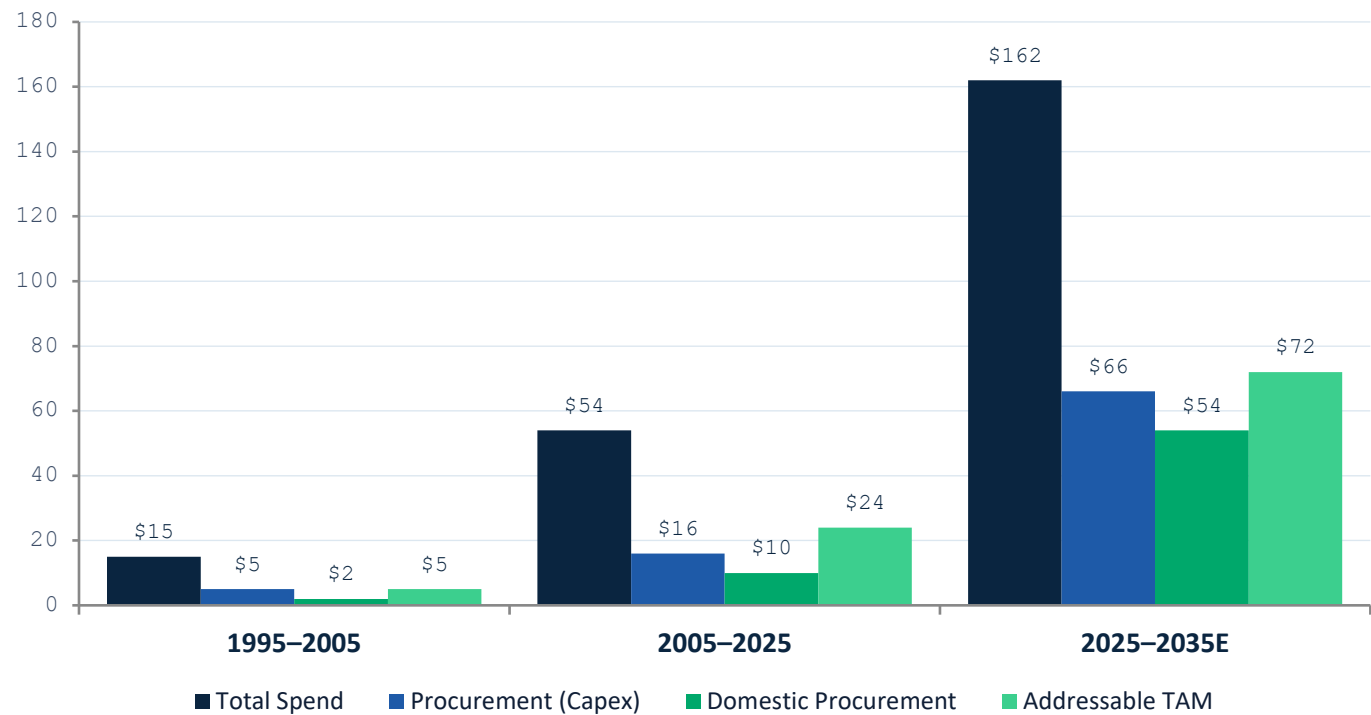
Indian Defense Sector Mindmap



India's Modernization Phase (2020–2040)

Entering its peak build-up decade, comparable to China's 2000–2020 transformation

INDIA DEFENSE TAM BUILD-UP // \$ BILLION



\$162B

Total defense spend projected in the 2025–2035E window

\$54B

Domestic procurement share, from just \$10B the prior cycle

7–8%

Annual compound growth in India's defense budget

3x

Step-change vs. the 2005–2025 procurement cycle

Source: Internal TAM model (Spend, Procurement, Domestic Procurement, Exports) across three policy cycles

Government-Led Defense Innovation

MoD schemes channelling grants, procurement pathways, and infrastructure to startups, MSMEs, and innovators



IDEX

Innovations for Defence Excellence

Flagship program offering grants up to ₹1.5 Cr via SPARK for prototype development.



ADITI

Acing Development of Innovative Technologies

Targeted support for critical and deep-tech development in priority domains.



DISC

Defence India Startup Challenge

Problem statements from the Armed Forces opened to the startup ecosystem.



DTIS

Defence Testing Infrastructure Scheme

Funds shared testing facilities to de-risk prototypes for startups and MSMEs.



SRIJAN

Srijan Defence Portal

Indigenization marketplace listing items DPSUs want sourced from Indian industry.

KEY BENEFITS



Funding

Grants up to ₹1.5 Cr via SPARK; larger tickets available under ADITI for deep-tech.



Procurement Support

Dedicated iDEX procurement path under the Defence Acquisition Procedure 2020.



Technology Development

Structured pipeline from prototype to field trials to production orders.



Institutional Backing

Run by the Defence Innovation Organisation (DIO) under the Ministry of Defence.

Apply via the official iDEX portal or the Department of Defence Production website.


India's Defense Export Growth Trajectory

From ₹10,000 Cr in FY20 to ₹38,424 Cr in FY26, a near 4x leap in six years




₹38,424 Cr
 FY26 export value


~4x
 Growth since FY20


85+
 Countries served by Indian defense

NOTABLE DEALS

- BrahMos** missiles → Philippines
- Akash** air defense → Armenia
- ALH Dhruv** helicopters → multiple buyers

The Venture Capital Sweet Spot

Three opportunity zones where startup capability meets urgent armed-forces demand



Risk Management in Defense Tech

The opportunity is real, and so are the structural hurdles. Here is what to watch and how to mitigate.



Long Sales Cycles

Government contracts typically carry 3–7 year gestation periods. Startups face 'valleys of death' between prototype and production.

MITIGATION

Dual-use revenue streams, milestone-based funding, bridge-to-MVP via iDEX grants and DRDO partnerships. Internal experts, with strong connects in the DOD and other departments to help understand the progress/prospects of fructification of order book.



Regulatory Hurdles

Strict export controls, IP protection, and end-use restrictions demand careful navigation of multi-agency clearances.

MITIGATION

Early compliance build, connect with government officials, and disciplined MoD licensing strategy.



Supply Chain Vulnerability

Reliance on imported specialized components creates single-point failure risks under sanctions or geopolitical stress.

MITIGATION

Onshore critical sub-systems, qualify second-source vendors, and maintain strategic component reserves.

Varanium's Investments : Global Case Studies

Software-first, autonomy-native, data-driven. The playbook Indian founders are learning from.

US // FOUNDED 2017



Anduril Industries

Software-first approach enabling rapid prototyping and deployment of advanced defense systems.

\$60B VALUATION

US // FOUNDED 2015

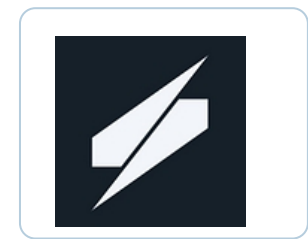


Shield AI

True autonomy via Hivemind, aircraft that operate in contested environments, including supersonic jets.

\$12.7B VALUATION

US // PUBLIC



Saronic

Develops autonomous surface vessels (maritime drones) that enhance naval operations, enabling scalable, cost-effective, and AI-driven maritime defense capabilities

\$9.3B VALUATION

*The next decade of defense
won't be bought.*

It will be built *in India.*

\$162B

Total defense spend, 2025–2035E

₹38,424 Cr

FY26 defense exports

85+

Countries fielding Indian platforms