

# Union Budget 2024



## Defence remains an important focus area as India gears up to further consolidate its indigenisation initiatives and grow its 'local for global' outreach



**Vishal Kanwar**  
Executive Director  
Aerospace and  
Defence Lead  
PwC India

The budgetary allocation (excluding pensions) for 2024-25 has seen an increase of 8.6% over the last year and, including pensions, the growth stands at 7.1%. Driven by geopolitical conflicts, a more pronounced regional threat perception and the need to strengthen the capabilities of the Armed Forces – the defence budget received an allocation of INR 4,80,736 crore (including civil expenditure of the Ministry of Defence) and a total budget of INR 6,21,941 crore after including pension. This is ~12.9% of the total Budget making it the highest allocation amongst all departments.

The growth in capital budget (15% growth over last year) has outpaced the revenue budget growth (5.1% growth over the last year) indicating a clear focus on modernisation of the Armed Forces. Capital budget accounted for ~38% of the total budget allocation (excluding pension), highest in the decade. Growth of capital expenditure in the 2024-25 budget has outdone the growth of revenue expenditure, clearly indicating the positively evolving tooth-to-tail ratio of the Armed Forces. The intention to combine the capital expenditure budget at the Defence Services level rather than allocating separate budgets for the Army, Navy and Air Force is further indicative of the intent to create synergies through joint procurement for the tri-services. There is also a clear focus on technology development (assistance for prototype development under Make category). A budget of INR 1,797 crore has been estimated for technology development support along with a focus on ensuring consistent supply of strategic and critical minerals.

### Key figures of defence budgets 2023-24 to 2024-25 (in INR crores)<sup>1</sup>

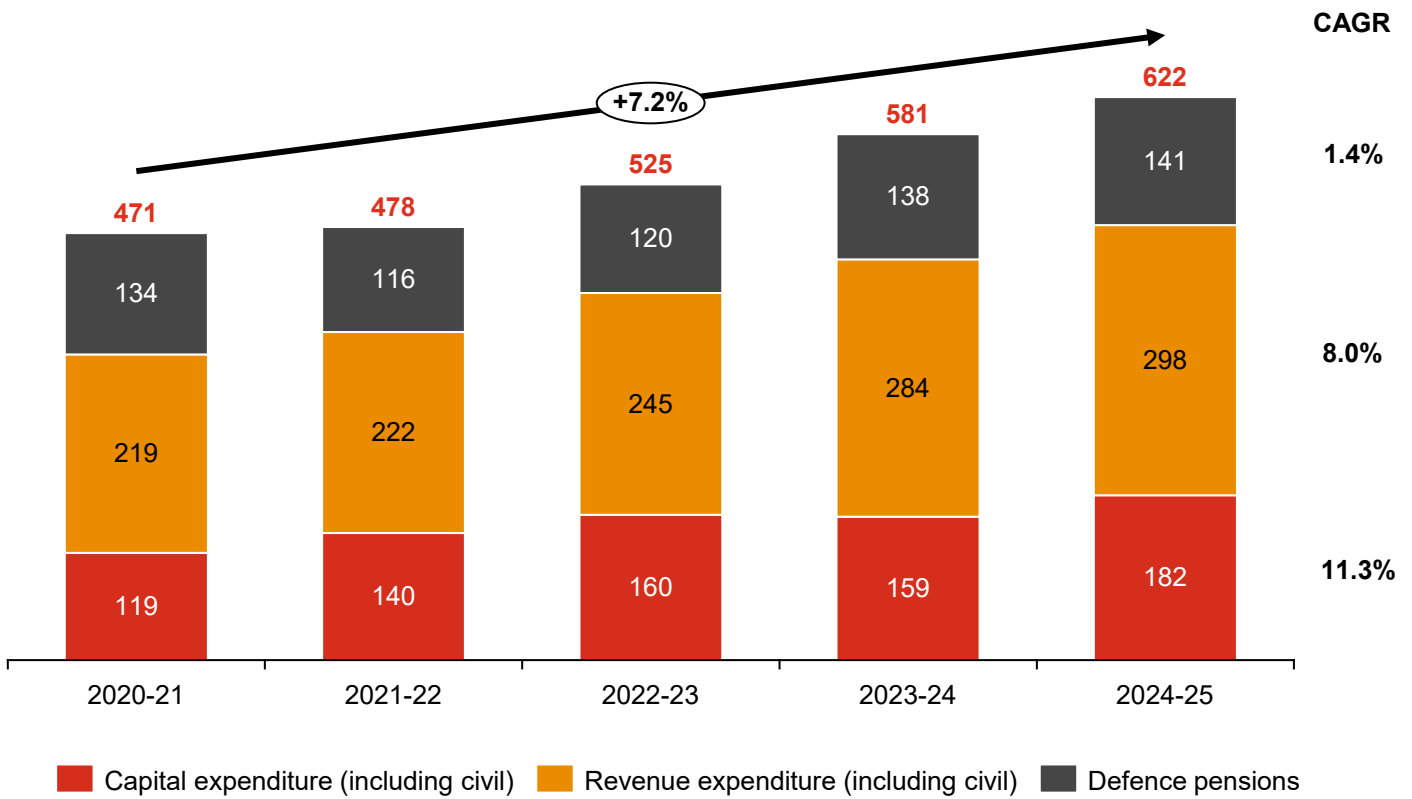
Description	2023-24	2023-24	2024-25
	(Budget estimate)	(Revised estimate)	(Budget estimate)
Defence Budget – excluding pension	4,42,483	4,81,794	4,80,736
Growth of Defence Budget – excluding pensions (%)			- 0.2%* 8.6%^
Revenue expenditure – including civil expenditure	2,83,958	3,14,023	2,98,495
Growth of revenue expenditure (%)			-4.9%* 5.1%^
Share of revenue expenditure in Defence Budget (excluding pension) (%)	64.2%	65.2%	62.1%
Capital expenditure – including civil expenditure	1,58,525	1,67,771	1,82,241
Growth of capital expenditure (%)			8.6%* 15.0%^
Share of capital expenditure in Defence Budget (excluding pension) (%)	35.8%	34.8%	37.9%
Defence Budget – including pension	5,80,688	6,23,889	6,21,941
Growth of Defence Budget – including pensions (%)			-0.3%* 7.1%^

\*Growth rate in comparison to revised estimates

^ Growth rate in comparison to Budget estimates

<sup>1</sup> India's union budget documents, PwC analysis

## India's defence budget over 2020-2024 (in INR thousand crores)<sup>2</sup>



## Highlights of the Union Budget 2024-25 for the defence sector

- The total defence budget allocation for 2024-25 is INR 4,80,736 crore excluding pensions. It has increased by 8.6% compared to 2023-24's budget estimates.
- It amounts to a total budget of ~INR 6,21,941 crore after including pension, which is an increase of 7.1% over last year's budget estimate.
- The growth in capital budget estimates is ~15% and that of revenue budget estimates is 5.1% compared to 2023-24's budget. Growth of capital budget allocations over the revised estimates is 8.6% while revenue budget witnessed a decline of 4.9%. This clearly indicates an improvement in the tooth-to-tail ratio of the Armed Forces in the upcoming years.
- The capital expenditure budget continues to be combined at the defence services level rather than allocating a separate budget for the Army, Navy and Air Force. This appears to be the norm now and may continue in the future as well. The capital outlay for Defence Services stood at INR 1,55,476 crore compared to the combined budgetary estimate INR 1,47,183 crore for the Army, Navy and Air Force in 2023-24 budget has a 5.6% increase. This includes an estimate of INR 40,278 crore for aircraft and aero-engines and INR 23,800 crore for the naval fleet.
- Over the last five years, the defence budget has grown at a compound annual growth rate (CAGR) of 7.2% – the revenue budget (including civil expenditure) at 8.0%, capital budget (including civil expenditure) at 11.3% and defence pensions budget at a CAGR of 1.4%.<sup>3</sup> The growth in capital budget has been in double digits emphasising the modernisation of the Armed Forces.
- To further the initiatives under the Agnipath Scheme, the scheme has received a budgetary allocation of INR 5,979 crore. This includes INR 5,207 crore (INR 3,800 crore in 2023-24) for the Army, INR 352 crore (INR 300 crore in 2023-24) for the Navy and INR 420 crore (INR 166 crore in 2023-24) for the Air Force.
- In the direction of strengthening indigenous industrial capability, the seven new defence public sector units (DPSUs) have received a capital budget allocation of INR 1,494 crore – 14% growth in comparison to last year's budget.

<sup>2</sup> India's union budget documents, PwC analysis

<sup>3</sup> India's union budget documents, PwC analysis

- With a focus on fostering research and development (R&D) and technology development in defence, INR 13,208 crore has been allocated under the capital budget for R&D – 2.7% increase over last year's budget.
- A budget of INR 1,797 crore (~45% higher vis-a-vis FY2023-24 budgeted estimates) has been estimated for technology development support in terms of assistance for prototyping under Make programmes – 5% increase compared to the Interim Budget 2024-25 based on the increase in allocation towards projects for the Army. Of this, the maximum portion of INR 1,697 crore has been earmarked for projects for the Air Force.
- Proposal to exempt customs duties on 25 critical minerals and reduce basic customs duties on two of them is a welcome step towards securing availability for strategic sectors.
- The Department of Space has been allocated INR 13,043 crore which is a ~4% increase from 2023-24's budget estimates but an 18% increase compared to the revised estimates of 2023-24.
- The Government has earmarked INR 1,000 crore to set up a venture capital fund for space tech firms highlighting the advancements in the Indian space economy which is expected to witness exponential growth in the coming years.

# About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

© 2024 PwC. All rights reserved.



Data Classification: DC0 (Public)

In this document, PwC refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2024 PricewaterhouseCoopers Private Limited. All rights reserved.

PR/July 2024 - M&C 39535