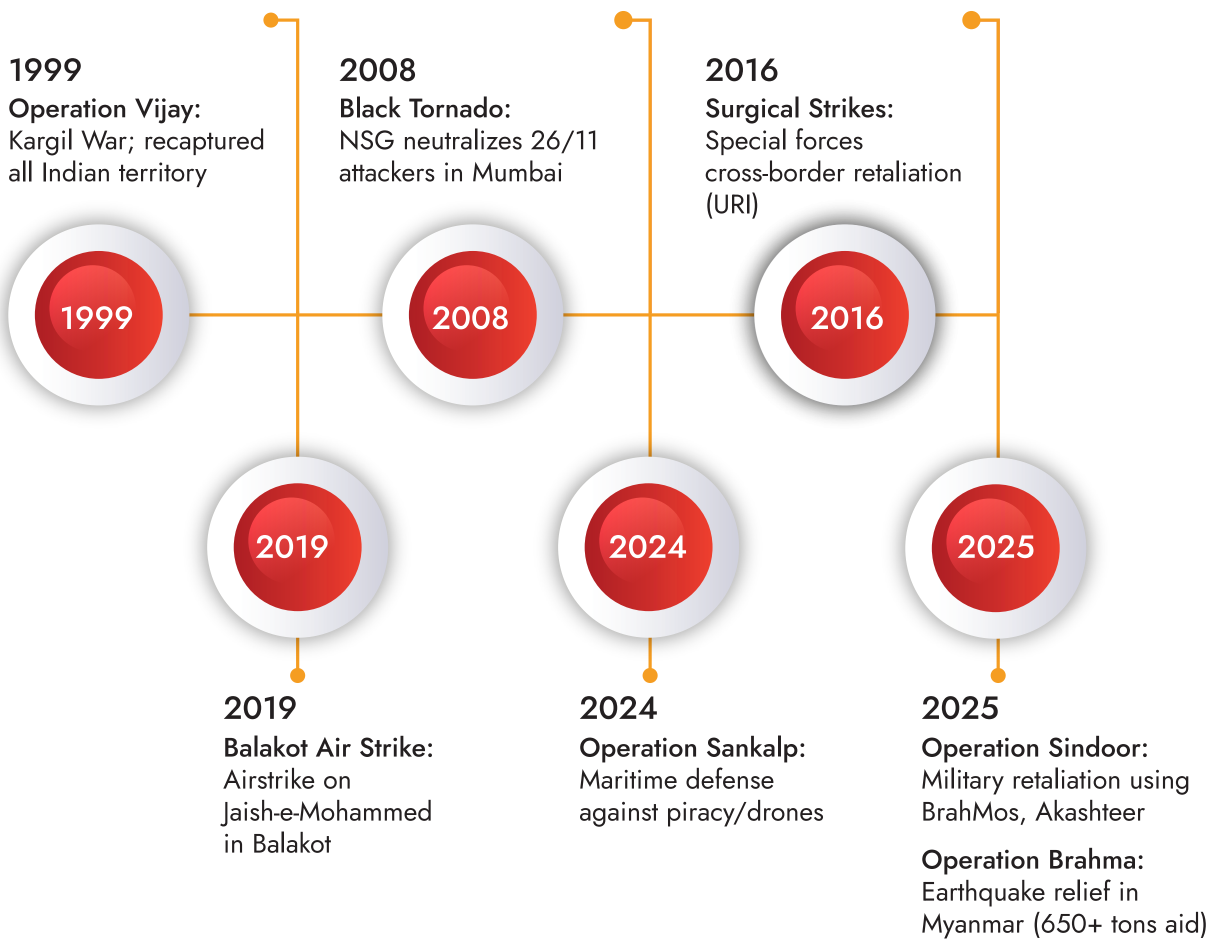
Asset Management

GROWTH PULSE SERIES

June 2025

INDIA TOMORROW: AFTER CONNECTIVITY, COMES SECURITY – INDIA'S NEXT FRONTIER!

India's defence sector is one of the most strategically significant and resource-intensive domains of national policy, backed by the world's third-largest military in terms of personnel and ranked as the third-largest defence spender globally, with a defence budget of $75 billion for FY 2024–25 accounting for approximately 13% of total government expenditure. The country faces multifaceted security challenges along its western and northern borders, maritime vulnerabilities in the Indian Ocean Region (IOR), and evolving threats in the cyber and space domains. In response, India has been steadily ramping up defence modernization efforts, with a particular focus on indigenization under the "Aatmanirbhar Bharat" initiative. Over 75% of the capital procurement budget in FY25 has been earmarked for domestic industry, marking a significant shift from the historical reliance on foreign imports. Simultaneously, India has emerged as a net defence exporter, with defence exports reaching an all-time high of $2.7 billion in 2024–25, compared to $0.08 billion in 2014–15. This report explores the structural evolution of India's defence architecture, the economic and strategic rationale driving policy shifts, the growing role of the private sector, and the challenges that lie ahead in achieving self-reliance and operational readiness in a rapidly shifting global security environment. The FDI maximum in defence manufacturing under the automatic route has been raised from 49% to 74% (for new investments requiring an industrial license), allowing foreign firms to establish manufacturing units with a greater degree of ownership and control.



1) Growth drivers for the Indian defence manufacturing

Growth Factors

- Ongoing territorial disputes
- Need for technological advantages over rival countries
- External dependence for defence procurement.

Policy Support

- Favourable FDI climate.
- Policies such as defence production and export promotion policy.
- 'Import embargo' on 101 military items.
- High budgetary allocation to the defence sector

Increased Investments

- Expanding production and distribution facilities in India.
- Increased R&D activities.
- Providing support to projects in India.

Source: IBEF, Ambit Asset Management

Export Order

- In February 2025, India has secured a $440.3 million deal to export BrahMos missiles to Indonesia, showcasing its advanced defense manufacturing capabilities, including the domestic production of aircraft carriers.

Government Support

- The Union Budget for 2025-26 envisaged an outlay of $78.7 billion, representsan enhancement of 9.5% over theBudget of 2024-25.
- SRIJAN portal launched to promote indigenization. More than 34,000 items are available for public view and 10,000 items have been indigenized till January 2024.

Opportunities

- Government has established two Defence Industrial Corridors in Uttar Pradesh and Tamil Nadu.
- India has around 194 defence tech startups building innovative tech solutions to empower and support the country's defence efforts.

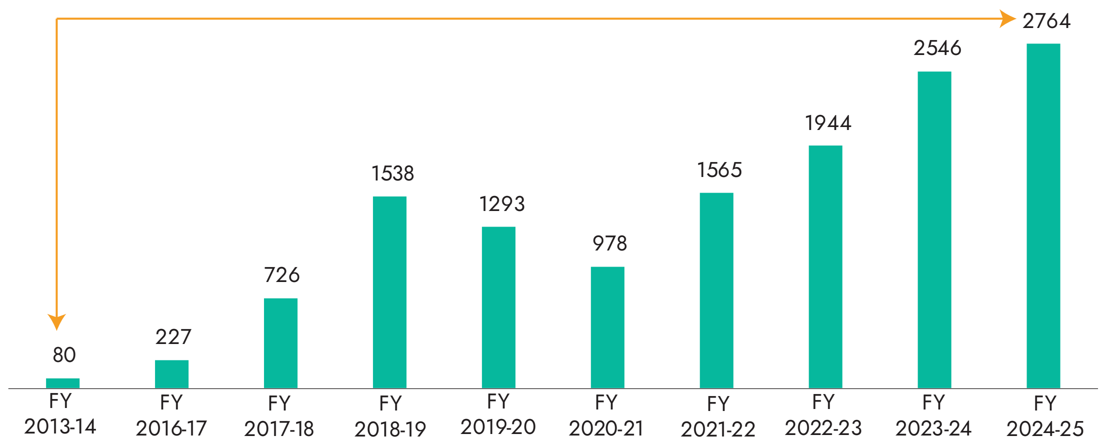
All-time high in defence exports

Defence exports hit a record $2,764 million in FY 2024-25, expanding 34 times since 2013-14 i.e. $80 million. India aims $5.8 billion in exports by 2029.

The Defence Public Sector Undertakings (DPSUs) have shown a significant increase of 42.85% in their exports in the FY 2024-25 reflecting the growing acceptability of Indian products in the global market and the ability of the Indian defence industry to be a part of the global supply chain. The private sector and DPSUs have contributed $1783 million and $982 million, respectively, in defence exports of 2024-25, whereas the corresponding figures for FY 2023-24 were USD 1780 million and USD 687 million, respectively.

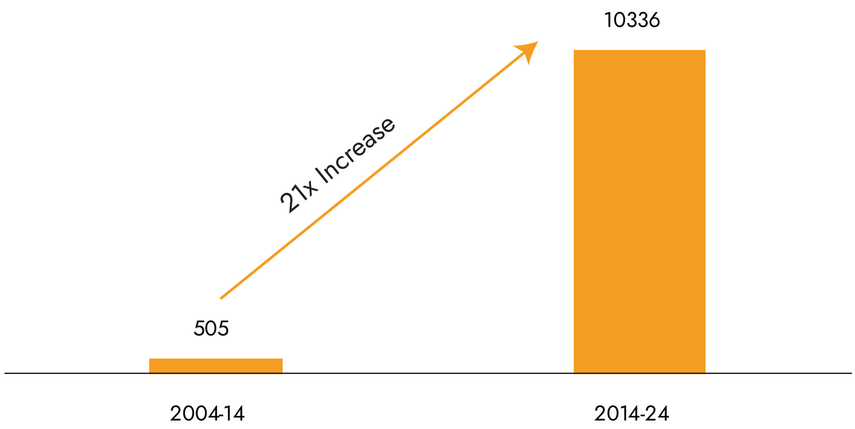
The Department of Defence Production has a dedicated portal for application and processing of export authorization requests, and 1,762 Export Authorization were issued in FY 2024-25 compared to 1,507 in the preceding year, registering a growth of 16.92%. The total number of exporters also grew by 17.4% in the same period.

Exhibit 1: Defence exports (USD Mn)



Source: IBEF, Ambit Asset Management

Exhibit 2: Decadal growth in India's defence export (USD Mn)



Source: Ministry of Defence, Ambit Asset Management

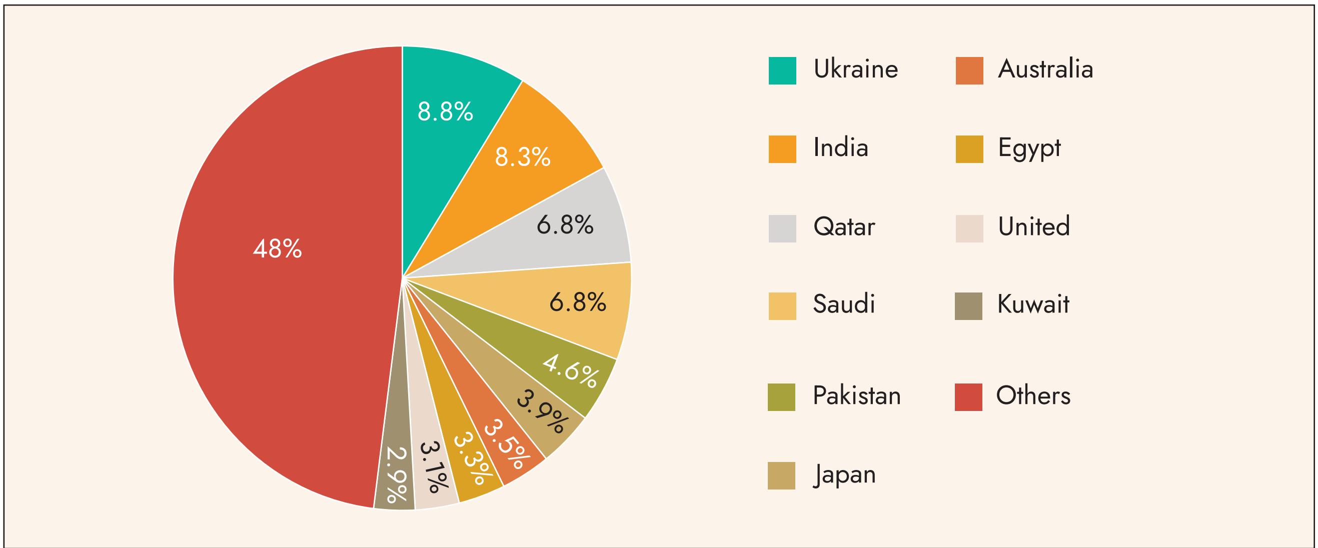
Second largest importer with decline in percentage imports

India's tensions with China and Pakistan largely drive its arms imports. India was the world's second largest arms importer in 2020–24 with an 8.3 per cent share of global imports. Indian arms imports decreased by 9.3 per cent between 2015–19 and 2020–24. The drop was at least partly the result of India's increasing ability to design and produce its own weapons, making it less reliant on imports.

The largest share of India's imports came from Russia (36 per cent); however, this was a significantly smaller share than in 2015–19 (55 per cent) and 2010–14 (72 per cent). India is shifting its arms supply relations towards Western suppliers, most notably France, Israel and the USA.

Exhibit 3: The largest importers of major arms and their main suppliers, 2020–24

Rank	Importers	Share of Global Arms Import		Main Suppliers and their share of Importer's total imports(%), 2020-24					
		2020-24	2015-19	1st		2nd		3rd	
1	Ukraine	8.8%	0.1%	USA	45	Germany	12	Poland	11
2	India	8.3%	9.1%	Russia	36	France	33	Israel	13
3	Qatar	6.8%	3.0%	USA	48	Italy	20	UK	15
4	Saudi	6.8%	11.0%	USA	74	Spain	10	France	6.2
5	Pakistan	4.6%	2.8%	China	81	Netherlands	5.5	Turkey	3.8
6	Japan	3.9%	2.0%	USA	97	UK	2	Germany	0.5
7	Australia	3.5%	4.8%	USA	81	Spain	15	Norway	1.3
8	Egypt	3.3%	5.8%	Germany	32	Italy	27	France	19
9	United	3.1%	1.9%	UK	18	France	15	Israel	13
10	Kuwait	2.9%	0.5%	USA	63	Italy	29	France	7.1

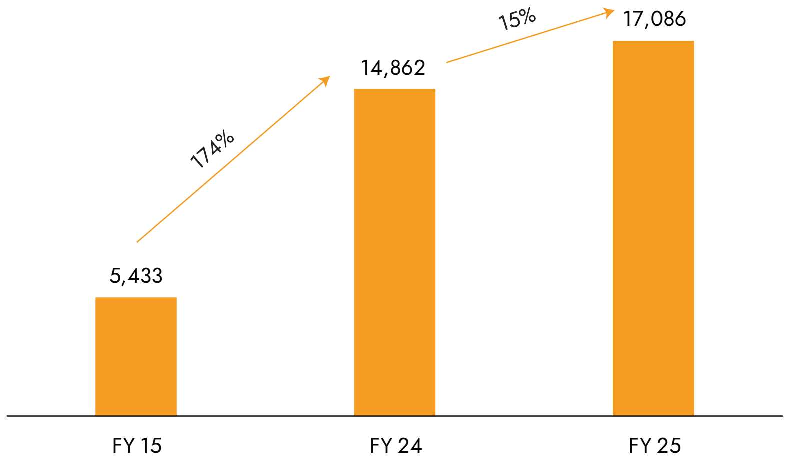


Source: SIPRI, Ambit Asset Management

Surge in indigenous defence production

India's annual defence production reached an all-time high of $17,086 million in FY25, marking an almost 15 per cent jump from the previous record of $14,862 million in FY24 and the private sector's contribution, which stood at over $3,745 million.

Exhibit 4: Value of production (USD Mn)



Source: IBEF, Ambit Asset Management

This growth has been bolstered by the Make in India initiative, which has enabled the development of advanced military platforms including the Dhanush Artillery Gun System, Advanced Towed Artillery Gun System (ATAGS), Main Battle Tank (MBT) Arjun, Light Specialist Vehicles, High Mobility Vehicles, Light Combat Aircraft (LCA) Tejas, Advanced Light Helicopter (ALH), Light Utility Helicopter (LUH), Akash Missile System, Weapon Locating Radar, 3D Tactical Control Radar, and Software Defined Radio (SDR), as well as naval assets like destroyers, indigenous aircraft carriers, submarines, frigates, corvettes, fast patrol vessels, fast attack craft, and offshore patrol vessels.

Key points:

- 65% of defence equipment is now manufactured domestically, a significant shift from the earlier 65-70% import dependency, showcasing India's self-reliance in defence.
- A robust defence industrial base includes 16 DPSUs, over 430 licensed companies, and approximately 16,000 MSMEs, strengthening indigenous production capabilities.
- The private sector plays a crucial role, contributing ~21% to total defence production, fostering innovation and efficiency.
- India targets $34.7 billion in defence production by 2029, reinforcing its position as a global defence manufacturing hub.

Exhibit 5: Top 10 countries with the highest defence budgets in 2025

Rank 2025	Country	Defence Budget 2025 (USD)
1	United States	$895 billion
2	China	$266.85 billion
3	Russia	$126 billion
4	India	$75 billion
5	Saudi Arabia	$74.76 billion
6	United Kingdom	$71.5 billion
7	Japan	$57 billion
8	Australia	$55.7 billion
9	France	$55 billion
10	Ukraine	$53.7 billion

Source: Global Firepower Ranking 2025, Ambit Asset Management

Key defence acquisitions and approvals

1

Light Combat Helicopters (LCH) Prachand:

The Ministry of Defence signed contracts worth USD 7338 million with Hindustan Aeronautics Limited (HAL) for 156 Light Combat Helicopters. Designed for high-altitude operations above 5,000 meters, LCH has 65% indigenous content, involves 250 Indian firms (mainly MSMEs), and is set to create over 8,500 jobs.

2

Wet Leasing of Refueling Aircraft:

India will wet lease its first KC-135 Flight Refueling Aircraft from Metrea Management to train IAF and Navy pilots in air-to-air refueling.

3

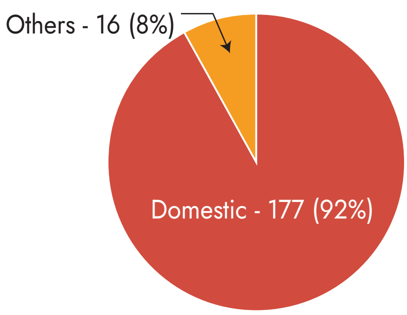
ATAGS Artillery Guns Approval:

The Cabinet Committee on Security (CCS) approved a USD 819 million procurement of 307 ATAGS and 327 towing vehicles under the Buy Indian—IDDM category. Developed by DRDO with Bharat Forge and Tata, ATAGS offers a range of over 40 km, automated systems, and precision targeting, with successful trials across terrains.

Record defence contracts in 2024-25

The Ministry of Defence has signed a record 193 contracts in 2024-25, with the total contract value surpassing USD 24465 million, nearly double the previous highest figure. This milestone reflects the government's commitment to strengthening national security through enhanced procurement and modernization of the Armed Forces.

Exhibit 6: Share of domestic defence contracts in 2024 – 25



Source: PIB, Ministry of Defence, Ambit Asset Management

Of these, 177 contracts, accounting for 92 percent, have been awarded to the domestic industry, amounting to $19769 million , which is 81 percent of the total contract value. This significant focus on indigenous manufacturing aligns with the vision of self-reliance in defence production, boosting local industries and generating employment across the sector.

MAKE PROJECTS: Make in India defence projects

The MAKE Procedure was first promulgated in the Defence Procurement Procedure (DPP-2006). The procedure was simplified/ streamlined in 2016, 2018 and 2020 with a perspective of fostering indigenous capabilities through design and development of required defence equipment/ products/systems or upgrades/ sub-systems/ components/ parts by both public and private sector industry/ organization in a faster time frame.

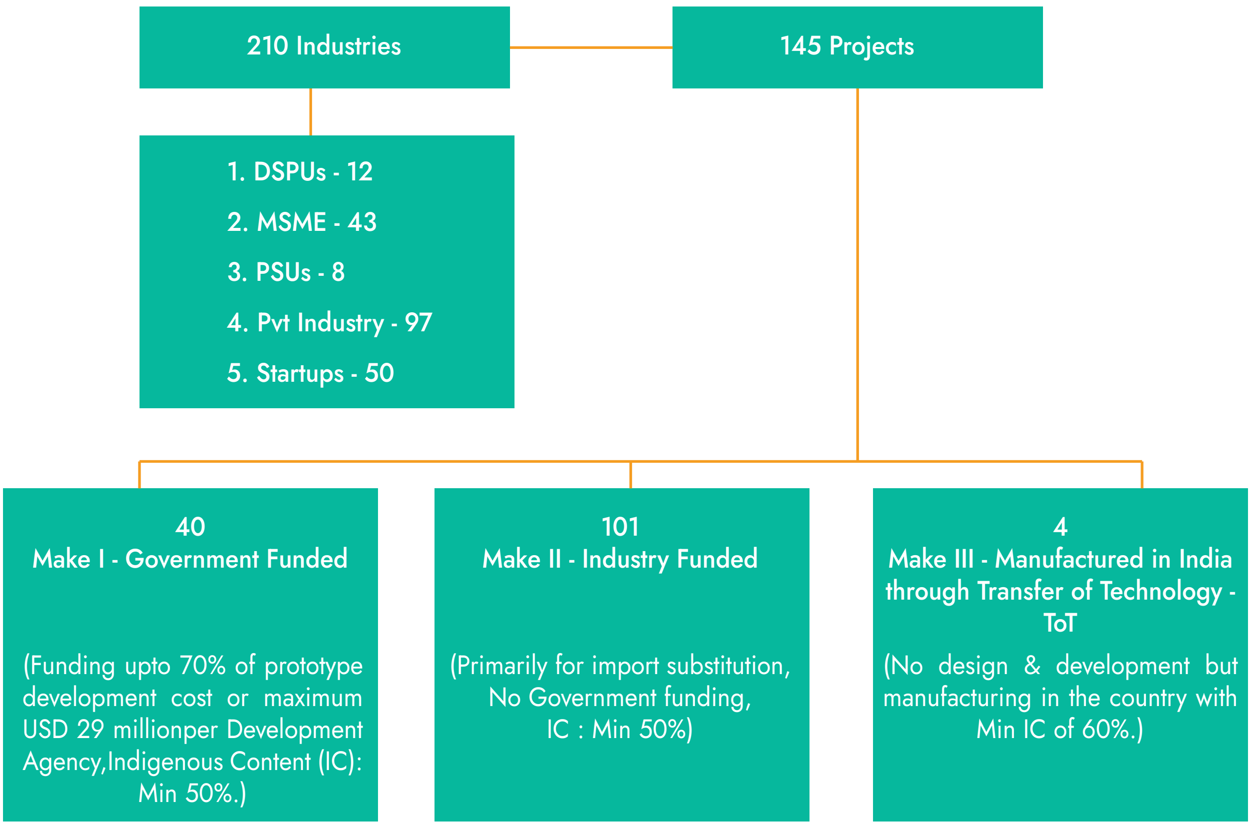


Exhibit 7: Top 10 most powerful militaries in the world as of 2025

Rank	Country	Power Index 2025
1	United States of America	0.0744
2	Russia	0.0788
3	China	0.0788
4	India	0.1184
5	Saudi Arabia	0.1656
6	United Kingdom	0.1785
7	France	0.1878
8	Japan	0.1839
9	Turkey	0.1902
10	Italy	0.2164

Source: Global Military Powers 2025, Ambit Asset Management

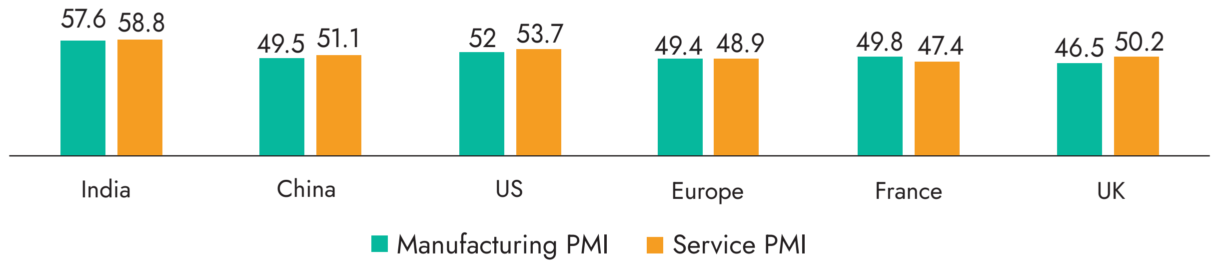
India's defence transformation reflects the country's growing capability and vision. As investors track sectors primed for scale and long-term returns, another strategic segment comes into sharp focus — **ports.** In our upcoming edition, titled we explore how airports and seaports are becoming the critical levers for economic integration and sustained value creation.

Ports of Progress: India's Gateway to the World

2. Macro Updates

2.1 PMI

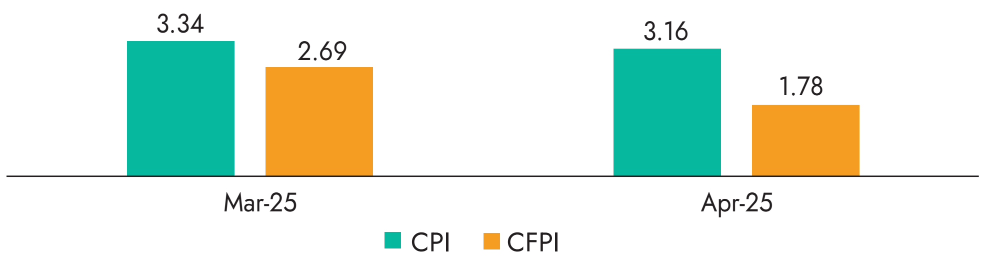
Exhibit 8: India v/s other countries for May 2025



Source: Trading Economics, Ambit Asset Management

2.2 INFLATION

Exhibit 9: Year on year rate of Inflation(%) based on All India Consumer Price Index (CPI) and Consumer Food Price Index (CFPI)



Source: Trading Economics, Ambit Asset Management

2.3 EIGHT CORE INDUSTRIES

Sector	Coal	Crude oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity	Overall Index
Apr-24	173.3	76.3	74.8	137.9	117.8	210.0	192.3	212.0	161.7
Apr-25*	179.3	74.2	75.1	131.7	112.9	216.2	205.1	214.2	162.5
YOY Growth%	3.5	-2.8	0.4	-4.5	-4.2	3.0	6.7	1.0	0.5

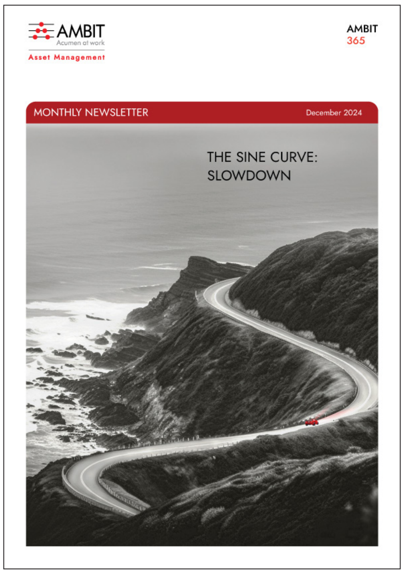
Note: *Provisional numbers for the month
Source: Ministry of Commerce & Industry, Ambit Asset Management

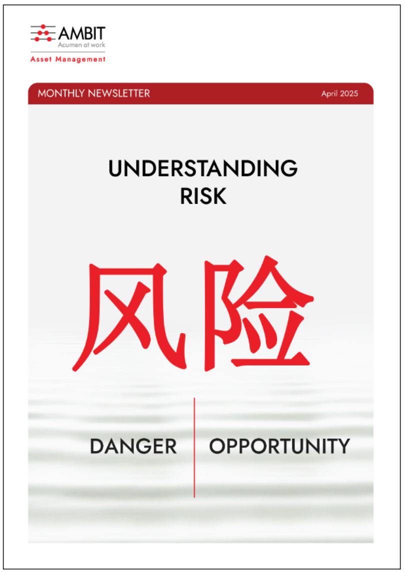
2.4 GST COLLECTIONS

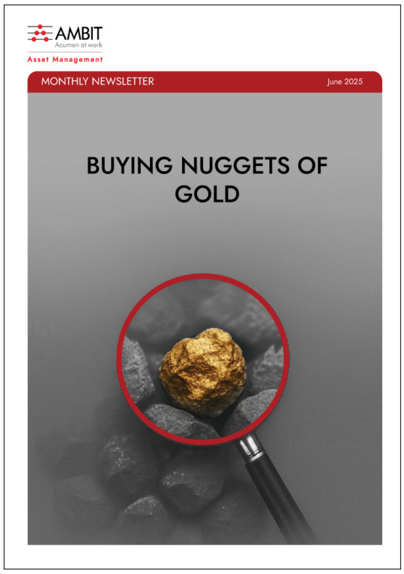
Revenue (USD Bn)	Mar-24	Mar-25	Growth (YOY%)
Gross Domestic Revenue	20.06	22.21	10.7%
Gross Import Revenue	4.55	5.49	20.8%
Total Gross GST Revenue	24.61	27.70	12.6

Source: GST.gov, Ambit Asset Management

3. Readings







June Newsletter: BUYING NUGGETS OF GOLD

Disruption after a long period of low volatility and shallow drawdowns (FY21-Sep'24), in the last few months, Indian markets have been witnessing increased volatility and drawdowns. Decadal macro trends, which have been conducive to economic growth and equities, such as globalization and low interest rates, now appear to be at risk. Indian markets are beset by a confluence of factors, including persistent high valuations (1), tepid earnings growth (2), and a base of a multi-year, broad-based bull market (3), which signals a challenging environment for Indian markets in the medium term. During such challenging periods, there is invariably a shift towards timeless investment principles and a disciplined long-term investing style.

We believe that our Ambit Asset Management Investment Framework, based on long-term investment principles that focus on quality, a business ownership mindset, and capital preservation, is likely to stand out positively in this phase. In this newsletter, we discuss the five key factors 1) Mindset – Simplicity in Complexity, 2) Process – Focus on the most important variable, 3) Approach – Picking up Nuggets of Gold, 4) Risk Positioning – Focus on Capital Protection and 5) Behavioral – Conviction cannot be borrowed, which differentiates Ambit Asset Management Portfolios.

Click here to read more

4. Ambit Asset Management Overview

India's tensions with China and Pakistan largely drive its arms imports. India was the world's second largest arms importer in 2020-24 with an 8.3 per cent share of global imports. Indian arms imports decreased by 9.3 per cent between 2015-19 and 2020-24. The drop was at least partly the result of India's increasing ability to design and produce its own weapons, making it less reliant on imports.

The largest share of India's imports came from Russia (36 per cent); however, this was a significantly smaller share than in 2015-19 (55 per cent) and 2010-14 (72 per cent). India is shifting its arms supply relations towards Western suppliers, most notably France, Israel and the USA.

Ambit Coffee Can Portfolio

Since June 2017

Aims to deliver steady returns with minimal risk to create wealth over long term

Large-cap oriented portfolio

Great companies with a long proven track record of consistent growth and high RoE

Ambit Good & Clean Midcap Portfolio

Since March 2015

Focuses to deliver superior risk adjusted returns by identifying the large caps of tomorrow

Mid-cap oriented portfolio

Proven track record of efficient capital allocation and sustainable growth

Ambit TenX Portfolio

Since December 2021

Targets to compound wealth by investing in businesses with potential to multiply earnings by ten times

Flexi cap portfolio with Mid & Small cap orientation

Companies leveraging technology and innovation in under-penetrated categories

Ambit Emerging Giants Small Cap Portfolio

Since December 2017

Seeks to create wealth over a long period of time by investing early in undiscovered businesses

Small-cap oriented portfolio

Low leveraged, well governed, high growth niche segments

Ambit Micro Marvels Portfolio

Since July 2024

Our investment strategy centers on micro-cap companies within niche markets, emphasizing high earnings growth, low leverage, and strong corporate governance.

Micro-cap oriented portfolio

Based on our proprietary 'Good' and 'Clean' framework with extensive use of the Scuttlebutt approach.

Ambit 365

Since October 2023

A directional long-short fund focused on absolute returns, across cycles with lower drawdowns & aims to generate consistent returns, irrespective of market direction.

Equity-oriented Long Short Category III open-ended AIF

Concentrated portfolio of long and short stocks with stock selection driven by our Sine Curve framework and a rule-based approach to use Nifty as a hedge.

Ambit TenX India Fund

Since October 2024

A dollar-denominated fund offering a gateway to growth opportunities in India and targeting to invest in businesses with the potential to multiply earnings by ten times over the next 12-13 years

Equity-oriented GIFT City AIF

Meticulously researched opportunities with dynamic toggling across the credit and tenor curve.

Ambit India Ascension Fund

Since January 2025

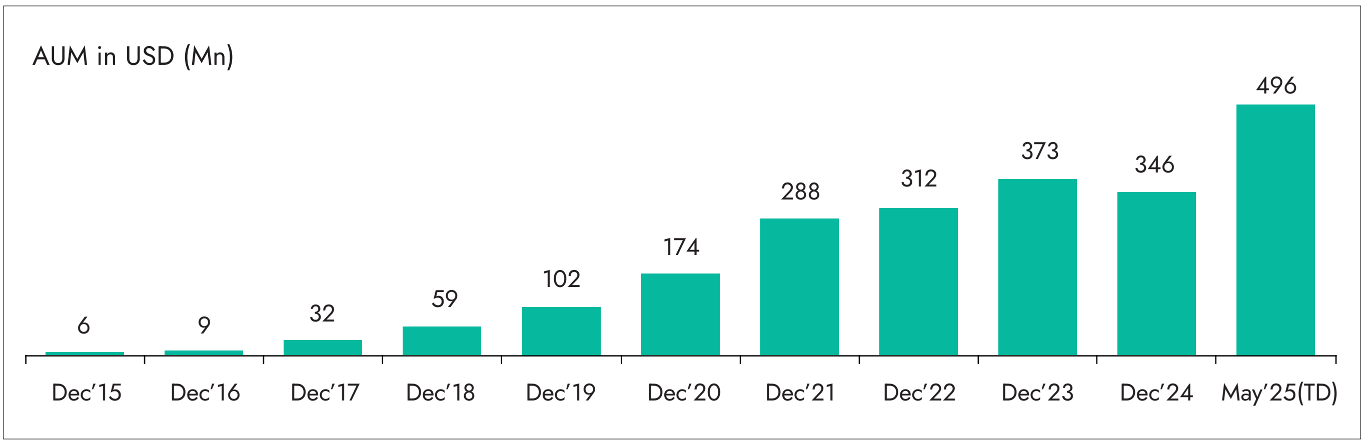
A tailored investment offering for Japanese investors through India's GIFT City, investing in small-cap companies backed by Ambit's proprietary framework with an objective to generate superior long-term risk-adjusted returns.

Equity-oriented Long-Only Category III AIF

Ambit Portfolio	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25 YTD	Since Inception
Ambit Coffee Can Portfolio			11.95%	10.90%	18.44%	21.35%	22.53%	-4.38%	16.370%	15.77%	3.01%	14.33%
Nifty 50 TRI*			9.78%	4.64%	13.48%	16.14%	25.59%	5.69%	21.30%	10.09%	5.17%	13.94%
Ambit Good & Clean Midcap Portfolio	-2.26%	5.48%	29.39%	2.27%	13.58%	16.20%	29.07%	-0.35%	31.97%	23.05%	-9.18%	12.76%
BSE 500 TRI*	-4.78%	5.15%	37.60%	-1.81%	8.98%	18.41%	31.63%	4.77%	26.55%	15.81%	2.14%	14.10%
Ambit Emerging Giants Small Cap Portfolio			7.50%	-7.45%	-0.35%	44.59%	43.66%	1.76%	24.69%	6.52%	-10.40%	12.95%
BSE 500 TRI*			3.52%	-1.81%	8.98	18.41%	31.63%	4.77%	26.55%	15.81%	2.14%	14.21%
Ambit TenX Portfolio							0.09%	0.44%	30.55%	12.85%	-9.92%	7.4%
BSE 500 TRI*							-1.00%	4.77%	26.55%	15.81%	2.14%	13.53%
Ambit Micro Marvels Portfolio										-0.69%	-12.52%	-13.12%
BSE 500 TRI*										-3.99%	2.14%	-1.93%

*Returns as on 31st May 2025

*Nifty 50 TRI is the selected benchmark for the Ambit Coffee Can Portfolio while BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Midcap, Ambit Emerging Giants Smallcap, Ambit TenX Portfolio and Ambit Micro Marvels Portfolios. The performance related information provided herein is not verified by SEBI.



Source: Ambit Asset Management

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Acumen at work
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The product 'Ambit Coffee Can Portfolio' has been migrated from Ambit Capital Private Limited to Ambit Investments Advisors Private Limited. Hence some of the information in this presentation may belong to the period when this product was managed by Ambit Capital Private Limited.

The performance data for coffee can product between 6th march 2017 - 19th June 2017 represents model portfolio returns. First client was onboarded on 20th June 2017. The performance data for G&C product between 1st June 2016 to 1st April 2018 also includes returns for funds managed for an advisory offshore client. Returns are calculated using TWRR method as prescribed under revised SEBI (Portfolio Managers) Regulations, 2020.

You may contact your Relationship Manager for any queries.