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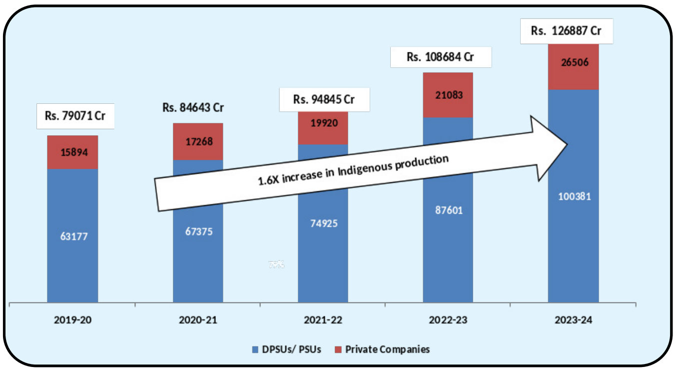
3 January 2025

India's Defence Production

Context: India's defence sector is set for robust growth, projected to achieve a compound annual growth rate (CAGR) of around 20% from FY24 to FY29. This growth is supported by government reforms, private sector participation, and technological advancements, according to a CareEdge Ratings report.

Key Drivers of Growth:

- The Indian government has made significant strides to boost domestic defence production and reduce dependence on foreign imports. Policies like 'Make in India' and liberalised FDI norms are fostering self-reliance in defence. These reforms have spurred technological progress, attracted international investments, and strengthened domestic manufacturing.
- The report highlights the critical role of collaboration between the government and the private sector. Domestic and multinational companies are pivotal in advancing defence modernisation, particularly in areas like arms, ammunition, aerospace, electronics, and naval technologies.



Government Budget and Outlays:

- India's defence budget has ranged from 1.90% to 2.8% of GDP in recent years. For FY 2024-25, the government has allocated Rs 6.22 lakh crore to the sector, aimed at modernising the armed forces and enhancing indigenous manufacturing capabilities.
- India also targets an annual defence production outlay of Rs 1.75 lakh crore for FY25, with expectations for this figure to grow at a CAGR of around 20%, reaching Rs 3 lakh crore by FY29, underscoring its vision of becoming a self-reliant defence powerhouse.

Transformation Toward Self-Reliance:

- India is making steady progress toward self-reliance in defence through indigenous manufacturing and technology development. The country is reducing reliance on foreign suppliers by focusing on the domestic production of critical defence equipment like fighter aircraft, helicopters, tanks, and missile systems. Strategic investments and policy initiatives are reinforcing this shift.

Growth in Defence Exports:

- India's defence exports have grown at a healthy CAGR of approximately 28% over the past six years. The report forecasts that exports will continue to rise, with an estimated annual growth rate of 19% from FY24 to FY29. These exports include products such as aircraft, naval systems, missile technology, and military hardware, reflecting the growing quality of domestic production and global demand for Indian-made defence products.

Challenges and the Road Ahead:

- Challenges like technology development, infrastructure, and regulatory frameworks remain. Streamlining procurement processes and strengthening public-private sector collaboration will be essential for maintaining growth momentum. Additionally, India must attract international defence investments and leverage its position as a technology hub to overcome these challenges.

Financial Stability Report (FSR)

Context: The asset quality of Scheduled Commercial Banks (SCBs) in India has significantly improved, as per the Reserve Bank of India's (RBI) December 2024 Financial Stability Report (FSR). This report sheds light on the key developments in the banking sector, focusing on the progress made in addressing non-performing assets (NPAs) and the resilience of the financial system.

Key Highlights from Financial Stability Report (FSR):

- **Decline in Gross Non-Performing Asset (GNPA) Ratio:** The most notable development is the reduction in the Gross Non-Performing Asset (GNPA) ratio, which dropped to 2.6% as of September 2024, the lowest in 12 years. This marks a significant improvement in managing bad loans, reflecting the overall health of SCBs' loan portfolios.

- **Net Non-Performing Asset (NNPA) Ratio:** The Net NPA (NNPA) ratio remained stable at 0.6%, indicating effective management of bad loans by setting aside adequate provisions. This shows that SCBs are maintaining a strong position in handling potential losses from non-performing assets.
- **Slippage Ratio and Provisioning Coverage Ratio (PCR):** The slippage ratio, which measures new NPAs as a share of standard advances, slightly increased to 0.7%, but still remains manageable. The Provisioning Coverage Ratio (PCR) improved to 77%, due to proactive provisioning by Public Sector Banks (PSBs), reinforcing their financial strength.
- **Write-off Trends Among Different Bank Categories**: The report noted that the write-off to GNPA ratio increased for Foreign Banks while slightly declining for Private Sector Banks (PVBs) and PSBs. Write-offs help in reducing the GNPA ratio, and the data shows banks are actively clearing bad loans from their books.

Others key findings:

- Indian banks have maintained strong capital buffers, contributing significantly to financial system stability.
- RBI's macro stress tests show that most Scheduled Commercial Banks (SCBs) are well-capitalized and can withstand shocks in adverse economic conditions.
- Non-banking financial companies (NBFCs) and the insurance sector also remain healthy, further bolstering the financial system's stability.
- A trend in the report shows a shift in the deposit profile of banks, with a decline in low-cost Current Account Savings Account (CASA) deposits in favor of term deposits.
- The shift towards higher interest rate brackets may affect Net Interest Margin (NIM), reflecting changing customer behavior due to higher interest rates.
- Despite improvement in return on assets (RoA) and earnings before provisions and taxes, profitability remains largely unchanged due to the decline in NIM.
- Despite global uncertainties, such as geopolitical tensions and fluctuations in global growth and inflation, the Indian financial system remains resilient. RBI's systemic risk survey (November 2024) showed confidence in India's financial system, with major risks identified as geopolitical conflicts, global economic evolution, and concerns over capital outflows and rupee depreciation.
- India's household debt remains relatively low at 42.9% of GDP as of June 2024, compared to other emerging markets.
- There has been an increase in household debt over the past three years, primarily due to an increase in the number of borrowers, rather than a rise in average indebtedness.
- The increase in household debt signals a broader financial inclusion drive, with loans being used for consumption, asset creation (home and vehicle loans), and productive purposes (business and education loans).

Commissioning of Vagsheer, Surat, and Nilgiri

Context: January 15, 2025, marks a historic day when the Indian Navy will commission three major frontline combat platforms: Nilgiri (Project 17A stealth frigate), Surat (Project 15B stealth destroyer), and Vaghsheer (Scorpene-class submarine). This event highlights India's growing self-reliance in defense manufacturing and boosts the Navy's combat potential.

- All three platforms (Vagsheer, Surat, and Nilgiri) were manufactured at Mazagon Dock Shipbuilders Ltd. (MDL), Mumbai. While the ships are designed indigenously, the Scorpene-class submarines are built under license from the French company Naval Group.

About submarine Vagsheer:

- Vaghsheer is the sixth and final submarine of the Scorpene-class under Project 75. These submarines are part of a series developed under a collaboration with

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the French Naval Group and are built in India.

- It is one of the quietest and most versatile diesel-electric submarines, designed for a variety of missions, including anti-surface and anti-submarine warfare, intelligence gathering, and special operations. It also features advanced sonar systems and can be upgraded with Air Independent Propulsion (AIP) technology.

About Project-15B stealth destroyer Surat:

- Surat is the fourth and final ship of the Project 15B stealth destroyer class, designed to provide enhanced combat capabilities. It is an advanced version of the Kolkata-class destroyers, with significant improvements in design, sensors, and weapon systems, mostly developed within India or through global collaborations.

About Project-17A frigate Nilgiri :

- The Nilgiri is the lead ship of the Project-17A series and represents a significant advancement over the earlier Shivalik-class frigates. It boasts superior stealth characteristics, reduced radar signatures, and advanced technology. Designed indigenously by the Indian Navy's Warship Design Bureau, it integrates state-of-the-art weaponry and sensors.

What aviation capabilities do Nilgiri and Surat possess?

- Both ships are equipped with modern aviation facilities, capable of operating various helicopters such as the Chetak, Dhruv, Sea King, and the newly inducted MH-60R. These facilities are designed for seamless day and night operations, supported by systems like the Rail-Less Helicopter Traversing System and Visual Aid and Landing System.

Implications:

- The commissioning of Vagsheer, Surat, and Nilgiri represents a substantial boost to India's naval combat potential. The advanced technology and enhanced capabilities of these platforms will strengthen India's maritime defense and project power on a global scale.

Disaster in India

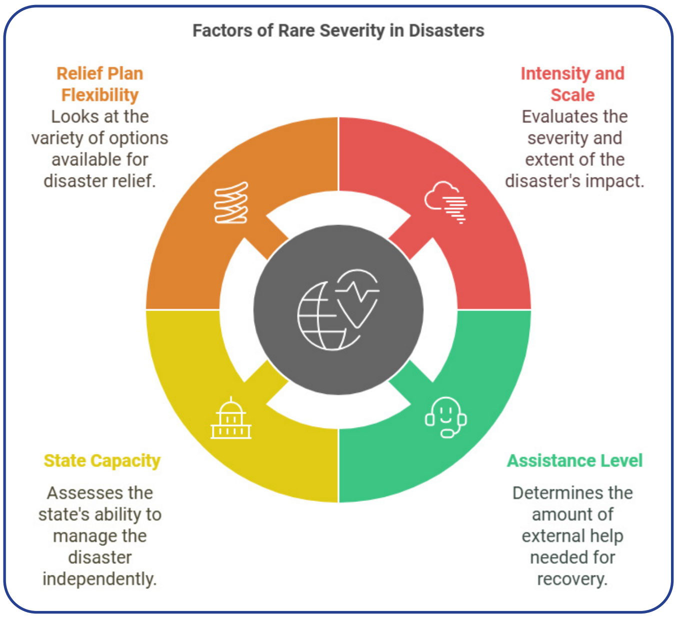
Context: On December 31, 2024, the Union government declared the catastrophic landslide in Wayanad a disaster of 'severe nature' of national disaster. This classification will help Kerala source funds, including local area development funds of MPs, to aid in rehabilitation efforts. The landslide, which occurred five months earlier, claimed 254 lives and left 128 missing.

Definition of a Disaster in India:

- A disaster is legally defined under the Disaster Management Act, 2005 as a catastrophic event that causes substantial loss of life, human suffering, property damage, or environmental harm. It must overwhelm the capacity of the affected community to cope.
- Disasters can be natural (e.g., earthquakes, floods, cyclones, heatwaves) or man-made (e.g., nuclear, biological, or chemical incidents). They may also result from accidents or negligence.

National Disaster vs. Other Disasters:

- There is no fixed legal provision to declare a disaster as a national calamity. However, a calamity affecting one-third of a state's population and of "rare severity" may be considered a national disaster. The decision depends on factors like the intensity, scale, and the state's ability to manage the disaster.



Factors for Determining "Rare Severity"

- When determining if a disaster is of rare severity, authorities assess:
  - » The intensity and scale of the calamity.
  - » The level of assistance required.
  - » The state's capacity to handle the disaster.
  - » Available alternatives and flexibility in relief plans.

Examples of Severe Calamities

- Examples of disasters deemed severe include the 2013 Uttarakhand floods and the 2014 Cyclone Hudhud in Andhra Pradesh, which received national-level assistance.

Benefits of Declaring a National Disaster:

- When a calamity is declared of "rare severity," the affected state receives national-level support, including:
  - » Additional funding from the National Disaster Response Fund (NDRF).
  - » The Calamity Relief Fund (CRF) with a 3:1 contribution between the Centre and state.
  - » Additional assistance from the National Calamity Contingency Fund (NCCF) if CRF is insufficient.
  - » Loan repayment assistance or concessional loans.

Funding for Disaster Relief

- The funding process follows the National Policy on Disaster Management, 2009:
  - » The National Crisis Management Committee (NCMC) handles major crises.
  - » Central teams assess the damage and the relief needed.
  - » The Union Home Secretary leads an inter-ministerial group to review the assessment.
  - » A high-level committee approves the financial assistance.

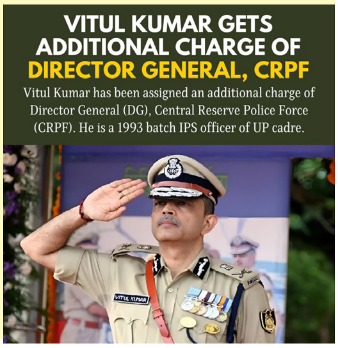
Power Packed News

Mahabharata based garden in Uttarakhand

- The Uttarakhand Forest Department has developed a unique ethnobotanical garden inspired by the Mahabharata in Haldwani. The garden aims to highlight the knowledge of ecology and environment in the Mahabharata.

- The garden has planted more than 37 plant species including Khair (Acacia catechu), Kovidir (Bauhinia variegata), Banyan (Ficus benghalensis), Peepal (Ficus religiosa), and Dhak (Butea monosperma).
- The Van Parva/Aranya Parva of the Mahabharata mentions ideas of environmental conservation such as tree plantation, reservoir construction and protection of tigers. This garden is an effort to revive those ideas and make the society environmentally conscious.
- Along with this, "Ramayana Vatika" was also established in Haldwani, which is part of a similar historical and cultural environmental initiative. This garden is an excellent example of environmental education and is becoming a source of inspiration for the local community.

Vitul Kumar: CRPF DG



- IPS officer Vitul Kumar took over as the Director General of the Central Reserve Police Force (CRPF). Earlier, he was serving as the Special Director General of CRPF. The Home Ministry appointed him after the retirement of the incumbent chief Anish Dayal Singh.
- Vitul Kumar has received several honours for his outstanding service, including the President's Police Medal (PPM) and the Police Medal (PM). In 2016, he was also awarded the Director General's Silver Commendation Disc.
- His tenure will be crucial in enhancing the effectiveness of the force and preparing it for new challenges. Until a permanent appointment is made, he will perform his responsibility as the acting Director General. Under his leadership, the CRPF can set new dimensions in its operations and training.

Defence Ministry declares 2025 as the year of reforms

- The Ministry of Defence has declared the year 2025 as the "Year of Reforms". The initiative aims to make the armed forces

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modern, technologically advanced and ready for multi-domain operations.

- The ministry has laid special focus on increasing defence production, upgrading infrastructure, and simplifying procurement processes. Also, there are plans to incorporate cutting-edge technologies such as drones, artificial intelligence and cyber warfare.
- Efforts will be made to make India a reliable exporter of defence equipment by promoting research and development. Apart from this, improving veteran welfare programmes is also on priority. This initiative is a big step to take India's military capabilities to a world-class level.

ONOS: One Nation, One Subscription Scheme

- The government has launched the "One Nation, One Subscription" (ONOS) scheme from January 1, 2025. It aims to provide seamless access to research papers and digital resources to students, researchers and academic institutions.
- Under the scheme, more than 13,400 international journals will be available in subjects such as science, technology, engineering, management, social sciences and humanities. A budget of Rs 6,000 crore has been allocated for this over three years.
- 1.8 crore students will benefit under this initiative, ensuring equal availability of knowledge. Additionally, a grant of Rs 150 crore will be given annually to beneficiary authors for publishing in good quality open access journals.
- ONOS is a big step towards making India a leading position in digital education.

Reduction in India's greenhouse gas emissions

- According to the report submitted to the United Nations Climate Change Office, India's greenhouse gas emissions recorded a reduction of 7.93% in 2020. India's GDP emission intensity has decreased by 36% between 2005 and 2020.
- In 2020, India's total emissions were 2,959 million tonnes of CO_2 equivalent. Excluding land use change, these emissions have increased by 98.34% since 1994.
- India aims to reduce its emission intensity by 45% and get 50% of its electric capacity from non-fossil sources by 2030.
- This progress of India reflects its commitment in the fight against climate change.

Dhyan Chand Khel Ratna Award for 2024

- Recently, The Indian government has announced the recipients of the prestigious Major Dhyan Chand Khel Ratna Award for 2024, honoring exceptional contributions to sports.

Awardees:

- **Manu Bhaker (Shooting):** Manu Bhaker made history at the Paris 2024 Olympics by becoming the first Indian athlete post-Independence to win two medals in a single edition of the Games.
- **Harmanpreet Singh (Hockey):** As the captain of the Indian men's hockey team, Harmanpreet Singh led the team to a second consecutive Olympic bronze medal in Paris.
- **Praveen Kumar (Para Athletics):** Praveen Kumar clinched gold at the Paris Paralympics in the men's high jump T64 category, setting a new Asian record.
- **D Gukesh (Chess):** D Gukesh won the World Chess Championship

About Major Dhyan Chand Khel Ratna Award:

- The Major Dhyan Chand Khel Ratna Award is India's highest sporting honor, conferred annually by the Ministry of Youth Affairs and Sports. Established in 1991–1992, it recognizes athletes for exceptional international performance. Initially named after Rajiv Gandhi, the award was renamed in 2021 to honor Major Dhyan Chand, a legendary field hockey player.